

**FACTORS INFLUENCING PERFORMANCE OF THE INSURANCE  
INDUSTRY IN TANZANIA: THE CASE OF ZANZIBAR INSURANCE  
CORPORATION**

**AMINA MZEE IBRAHIM**

**A DISSERTATION IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR AWARD OF MASTER DEGREE OF BUSINESS  
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**2013**

**CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance by The Open University of Tanzania a dissertation titled **“Factors Influencing Performance of the Insurance Industry in Tanzania: The Case of Zanzibar Insurance Corporation”** in partial fulfillment of the requirements for the award of degree of Masters of Business Administration of The Open University of Tanzania.

.....  
Dr. Salum S. Mohamed)

(Supervisor)

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.....

Date

**DEDICATION**

This Dissertation is dedicated to Ibrahim's family with support and encouragement throughout of my life.

## ACKNOWLEDGEMENT

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## **ABSTRACT**

Insurance industry is part of immune and repair systems of an economy. Successful operation of the industry sets impetus for other industries and development of an economy. The main objective of this study was to examine factors influencing performance of the insurance industry in Tanzania. To achieve this objectives both primary and secondary data were used. Primary data collected by means of interview, observations, structured and unstructured questionnaires. Secondary data obtained from various sources including book, journal and Internet. The study revealed that performance of ZIC were affected by insured by delaying to pay premium on time, to report fake claim and lack of know how about insurance service. In addition, accessibility and awareness to the insurance services provided by ZIC was not so difficult, therefore most intermediaries and insured were able to obtain and utilize the services. The result also found that operations of insurance company were influenced by Assessors and Investigator due to delaying in producing report on time. The company also faced with the following challenges: Construction of marketable policies, introduction the 'cash and carry' system in selling of insurance products in the market, lack of facilities in the country for training professionals, infrastructures system is not so well organized as a result only few places get privilege of receiving the insurance services, how. The study recommended that insurance policies should be designed to be user friendly. If possible, documents should be both in English and Swahili language to reflect the reality of Tanzanian Insurance consumers.

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**LIST OF ABBREVIATIONS**

<b>CAR</b>	-	Contractor all risks
<b>GCR</b>	-	Global credit rating
<b>GDP</b>	-	Gross Domestic Product
<b>IIT</b>	-	Insurance Institute of Tanzania
<b>IMF</b>	-	International Monetary Fund
<b>ISD</b>	-	Insurance Supervisory Department
<b>NGO</b>	-	Non-Governmental Organization
<b>NIC</b>	-	National Insurance Corporation
<b>TIRA</b>	-	Tanzania Insurance Regulatory Authority
<b>WB</b>	-	World Bank
<b>ZIC</b>	-	Zanzibar Insurance Corporation



## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background to the Problem**

Insurance market is a substantial market. World over there are thousands of insurance companies with large volumes of capitalization and funds employing very large numbers of employees on one hand, and much larger numbers of people and business organizations which are covered by insurance benefits on the other (Majmudar and Diwan, 2005).

Insurance business in Tanzania market, having been under monopoly of the state owned National Insurance Corporation (NIC) since the 1967 Arusha declaration reached a turning point in 1996 after Liberalization of the market upon enactment of insurance act 1998 (Bakuza, 1997). NIC enjoyed that monopoly for years, while the state continued to own all 100% of the NIC shares. The evolution of harsh global economic changes made Tanzania opt for fundamental changes in its social, economic and environmental programmes as economic changes affected international trade, causing inflation, and made the common life of consumers more miserable (Bwimba, 1999).

A liberalized insurance regime took effect in May 1998 with the establishment of the National Insurance Board, and a number of private companies received licenses (Tanzania Authorities, IMF and WB, 1999). The liberalization of insurance market witnessed the implementation of insurance Act 1996 which removed NIC's monopoly of insurance market a direct challenge to NIC (Bwimba, 1999).

Despite good intention that government had in nationalizing major financial institutions in 1967, lack of competition in the financial sector lead to inefficient services, lack of innovativeness, use of outdated technology thus leading to poor delivery of services. In July 1990, the report presented to the Tanzania Government pointed out that services in financial institutions were poor, where lending and investment decisions were subjected to external influences a factor that led to misallocation of resources. The commission recommended reforms in the financial sector. The law opened up the market for private banks and financial institutions to operate in Tanzania bring state monopoly to end (Bakuza, 1997). The total number of insurance companies registered under the Insurance Act, as at 31st December 2007 (including one reinsurance company, Tan Re) stood at 18 (ISD, 2007).

## **1.2 Statement of the Research Problem**

Managing the insurance cycle remains the most important challenge facing the global insurance industry (Cazzolla, 2007). The "big problems" facing insurance agents and brokers today are human resources; government intervention; sustaining agency revenue growth/profit; maintaining a consistent company strategy and tactics; and company consolidation. Those five issues might even keep insurance companies; agents and brokers awake at night (Cazzolla, 2007). Insurers face mounting pressure to improve profitability, which is directly linked to their ability to accurately assess risk, manage relationships and achieve operational efficiencies (<http://www.eds.com>). Underwriting high degree risk profile is very susceptible to occurrence of misfortune that will result into frequent and huge outflow of compensated fund consequently impair the performance. Likewise, handling

customers with great care and keep on maintaining them increases the company's credibility and overall performance.

The government's decision had come at the right time when the insurance industry in Tanzania was going through a hard time due to a shortage of skilled labour (Fimbo, 2008). The contribution of insurance in the overall economic development of the country was still below three per cent, which was the minimum norm as per international standards. Stakeholders in the industry must identify the gaps in insurance service delivery and find ways of plugging them for the benefit of the sector in Tanzania (Meghji, 2006).

Insurance Institute of Tanzania (IIT) looks into ways of timing the false insurance claims and corruption problem by insurance practitioners and agents, which is very serious (Sumaye, 1997). The settlement of forged claim weakens the company's operation and decline the profitability and growth. Hence this study was conducted to found out factors influencing the performance of insurance industry in Tanzania.

### **1.3 The Objectives of the Study**

#### **1.3.1 General Objective**

The general objective of the study is to asses' factors influencing performance of insurance industry in Tanzania, typically, a case of Zanzibar Insurance Corporation.

#### **1.3.2 Specific Objective**

The aim of the study is to attain the following objectives:

- (i) To identify variables impacting mode of operation in underwriting, claim and finance departments at Z.I.C determine

- (ii) To assess the extent of services rendered and its impact on performance delivery at Z.I.C
- (iii) To identify challenges in service delivering for improvement of performance of Z.I.C
- (iv) To investigate strategies that will enhance performance of ZIC.

## **1.4 Research Questions**

### **1.4.1 Specific Research Questions**

- (i) What variables impacting mode of operation in underwriting, Claim and finance department at ZIC?
- (ii) What is the extent of services rendered and its impact on performance delivery at Z.I.C?
- (iii) Which challenges faces Z.I.C in service delivering for improvement of performance?
- (iv) What strategies should be taken on board to enhance performance of ZIC?

## **1.5 Significance of the Study**

- (a) The findings from this study are expected to contribute and advance the body of knowledge for understanding better the factors which influences the performance of insurance industry as following:
- (b) The study findings are expected to provide useful understanding of the factors that are supportive, influencing and accelerating the growth of insurance industry in Tanzania.

- (c) The results of the study and recommendations are likely to be beneficial to other researchers, policy makers, development agencies (actors), and entrepreneurs who would like to venture into the insurance industry.
- (d) The study is a partial fulfillment of my MBA (Finance) at Open University of Tanzania.
- (e) The study will help business people, Government, Donors, Ngo's, insurers, re-insurers, insured and intermediaries to understand and have advanced knowledge and information on the constraints that they are likely to face and what they have to do in order to grow through the use of insurance services.

### **1.6 Scope and Limitation of the Study**

This study dwells mostly on the factors which influence performance of the insurance industry, particularly, Zanzibar Insurance Corporation in Tanzania. The study has been chosen due to thorough understanding and familiarity with the content and subject matter by researcher. Limitation of this study is associated with the data inconsistencies, inaccuracy, and the use of different methods of collecting data, compilation and management. To get around the problem, the study confined itself to the recently revised and updated data by cross-checking the different sources approached. (Data from ZIC, Tanzania Insurance and Regulatory Authority, and IMF data bank).

This study limits itself to the time taken in data collection, analysis and compilation for publication. It is quite obvious that much time is required to come with genuine finding of subject matter in question. Moreover, the researcher was simultaneously

undertaking research and work, hence, constrained with time resources apart from financial pitfall.

### **1.7 Organization of the Study**

The research has used mostly similar tradition in organizing the work which could be easier to follow, conceptualize and get the desired intention for the purpose of understanding the research objectives and findings. The organization ranges from chapter one to chapter five, where in chapter one main theme of background and statement to the problem have been covered. Also the objectives, research questions, significance and scope of the study are all presented in chapter one. Furthermore, the chapter two it covers the reviews of the literature relevant to this study, whereby chapter three is concerned with how the research has been conducted by research design, framing the researched area, sources of data and sample size, data collection and analysis. The researcher has also used designed questionnaire as the instrument of collecting the data and meet the objectives of the intended study. Last chapter is the conclusion and recommendations made by the researcher for the desired outcomes.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

The concept of insurance and particularly the “social insurance programme” dealing with socio-economic problems has been around Africa for a long time (Kenyatta, 1962). Members of a community pooled together resources to create a “social insurance fund”. The “premiums” ranged from material to moral support or other payments in kind. From the fund, “drawings were made out” to support the few unfortunate members exposed to perils (Azevedo, 1993).

However, the history of the development of commercial insurance in Kenya is closely related to the historical emancipation of Kenya as a nation (Throup, 1988). Furthermore the insurance in its basic essence meant the social investments in which the families in the single village used to prepare drinks, and invite other families in the village which could join hands on grass cultivations and diggings for that particular’s farm till the end, this process continued for the whole village and the ones who did not participate, were abandoned and could not get the assistance when the matter comes to them on grass farming (Azevedo, 1993).

#### **2.2 Theoretical Literature Review**

The primary function of insurance is to act as a risk transfer mechanism; that is, to transfer a risk from one person, the insured, the insurer. Transferring the risk to an insurer does not in itself prevent losses from occurring, but it provides a form of financial security and peace of mind for the insured. The large unknown financial

risk that an individual faces, for example, of their home burning down, is transferred to the insurer and replaced by the much smaller certain cost of premium. According to (The CII, 2004: 1), these contributions, or premiums, must be large enough in total to meet the losses in any pool and provide an element of profit for the insurer. The insurer endeavors to make one-year and, in addition, must cover the costs of operating the insurance that the premium which each insured pays is proportionate to the risk, which they introduce to the pool.

### **2.2.1 Meaning of Insurance**

The term insurance could be defined in distinct dimension, one can define it in legal context and the other might define in general context. Generally, Insurance is a social device for spreading the chance of financial loss among a large number of people. The act of purchasing insurance, imply a “person” shares risk with a group of others, thereby reducing the individual potential for disastrous financial consequences. Transacting insurance includes soliciting insurance, collecting premiums and handling claims. Insurance is based on the *law of large numbers* in the sense that a combination of large number of homogeneous units; the insurer is able to make predictions of possible loss, calculate their probable losses and establish the rates for premiums that will cover their losses and their operating expenses. Butt (1985:141) described that insurance involve covering against events that may or may not happen.

In legal aspect Insurance is, essentially, a contract by which one party gives a consideration, typically paid in money, in exchange for a promise from another party



to make a return payment if a certain loss has occurred. It connotes, “A contract between two parties whereby one party called insurer undertakes in exchange for a fixed sum called premiums, to pay the other party called insured a fixed amount of money on the happening of a uncertain event.”(<http://profit.ndtv.com>).

### **2.2.2 Principles of Insurance**

The insurance principle refers as the cannons of risk management, based on assumptions of expected outcomes, in which the law of averages is applied in theory or in practice in approximating those outcomes. The insurance companies do use to quantify risk factors and determine the cost of indemnity. The following is the key insurance principles regularly used in practice.

#### **(i) The Principle of Utmost Good Faith**

Utmost Good Faith is defined as a positive duty voluntarily to disclose, accurately and fully, all facts material to the risk being proposed, whether requested or not. In an insurance contract, the true status of the subject matter of the contract is not known to the insurer, if an insured person opts not to tell his insurance company about the realist circumstances for his/her affair would result, the insurance company accepting a risk higher than anticipated. Therefore, the proposer has an unfair advantage over the insurer since he has greater knowledge about the subject matter of the contract. For this reason, the law imposes a greater duty on the parties of an insurance contract than in other commercial contracts. This is called the doctrine of “uberrima fides” or “utmost good faith.” This doctrine calls for the proposer to disclose all facts that are material to the risk, whether the insurer inquires for the

facts or not. A Material Fact is any fact which would influence the insurer in accepting or declining a risk or in fixing the premium or terms and conditions of the contract. Breaches of the duty of Utmost Good Faith arise due to:

Misrepresentation act that happens when the proposer does not report the facts accurately or Non-disclosure acts that happens when the proposer omits to report material facts. In other instance, the proposer attempt Concealment, i.e, the proposer deliberately hides facts that he/she knows to be material.

### **(ii) The Principle of Insurable Interest**

Insurable interest is the financial interest of the proposer in such a manner that the proposer stands benefited by the safety or continuous existence of an asset and absence of liability and prejudiced by the destruction or damage of assets or existence of liability. Any asset is insurable by a person only if damage to that asset results in loss of a legal right or creation of a legal liability for that person. The subject matter of insurance can be any type of property or any event that may cause a loss or create a liability. Insurance is taken to offset the loss incurred or to pay for the liability created There are several ways in which insurable interest arises. When the element of insurable interest is automatically present, it is said to have arisen through common law. Secondly, is when insurable interest arises by virtue of a contract entered into? Thirdly, through a Statute when an act of parliament may create an insurable interest by granting some benefit to a person or imposing some duty.

### **(iii) The Principle of Indemnity**

Indemnity is the mechanism by which insurers provide financial compensation in an attempt to make good the loss suffered by the insured due to the happening of the

event insured against. The effect of indemnity is to place the insured in the same financial position in which he was immediately before the loss - neither better-off nor worse-off. Indemnity means to provide compensation to the policyholder in such a way that neither he is benefited nor does he remain in loss, after a claim under the policy. There are two corollaries to the principle of indemnity – Subrogation and Contribution. Subrogation is the right of one person (insurer), having indemnified another (insured) under a legal obligation to do so, to stand in the place of that other (insured) and avail himself (insurer) of all the rights and remedies of that other, whether already enforced or not.

This principle is corollary to the principle of indemnity in the sense that it prevents the insured to be benefited by loss after receiving the loss from the insurer as well as the responsible third party. The insured may recover the loss from another source after receiving the claim from the insurers but that additional money must be given to the insurers. Subrogation applies only when there is a contract of indemnity. It is not applicable in life insurance, personal accident insurance as these are not subject to the principle of strict indemnity. This principle does not apply only to the insured but also to the insurer as insurers are not entitled to recover more than what they have paid as claim. Just like the insured, the insurer must also not make any profit out of an insurance claim. Contribution In some cases, more than one policy may be in force on the same subject matter at the time of loss. In that circumstance, each insurer would need to bear a proportion of loss. This is referred to as Contribution, i.e, the right of the insurer to call upon others similarly (but not necessarily equally) liable to the same insured to share the cost of an indemnity payment. Contribution is

usually calculated on the basis of 'Rateable Proportion'. This means that each insurer contributes towards paying the loss in proportion to the sums insured on the policies.

#### **(iv) Proximate Cause**

Proximate Cause is the active efficient cause that sets in motion a train of events which bring about a result, without the intervention of any force started and working independently from a new source. An insurance policy is designed to provide compensation only for losses that are caused by insured perils. This means that the liability of the insurer arises only if the loss is caused by a peril, which is covered under the policy. However, as per the doctrine of proximate cause, the time that elapses between cause and result does not matter. The cause that is considered truly proximate is that which is proximate in efficiency not in time. Therefore, it is not the latest, but the most direct, dominant, operative and efficient cause that is regarded as proximate.

### **2.2.3 The Concepts and Common Terms used in Insurance**

#### **(i) Underwriting**

Underwriting is the process of selecting certain types of risks that have historically produced a profit and rejecting those risks that do not fit the underwriting criteria of the insurer. Good underwriting of risk selection normally produces a favorable loss ratio. This means the premium collected, less loss and expenses, produces a profit for the insurer. Insurers must carefully underwrite all risks to avoid being the victim of adverse selection. It is the tendency of insured's with a greater-than-average chance of loss to purchase insurance. Often an insurer will cede part of a risk to a reinsurer

to avoid being exposed to a larger than usual loss. Reinsurance is a contract of indemnity against liability by which an insurance company procures another insurance company to insure it against loss or liability by reason of the original insurance.

### **2.3.1 The Performance of Quality Services in Insurance Industry**

Various alternative instruments have been used to assess service quality (SERVQUAL), notable among these being the SERVQUAL diagnostic presented in 1988 and refined in 1991 by Parasuraman, Zeithaml and Berry, abbreviated as PZB. They conceptualized service quality (Q) as the difference between customers' perceptions (P) of services of a specific firm and their expectations (E) of services in this particular industry. The negative P-E difference was characterized as a "gap" or quality flaw. The following dimensions were used to construct the 22-item SERVQUAL scale (Zeithaml *et al.*, 1990).

**Tangibles** – The appearance of physical facilities, equipment, personnel and communication materials, Reliability - The ability to perform the promised service dependably and accurately, Responsiveness - The willingness to help customers and provide prompt service, Assurance – The knowledge, competence, and courtesy of service employees and their ability to convey trust and confidence, Empathy - The caring individualized attention provided to customers.

The SERVQUAL metric has been adapted to measure service quality in a variety of settings: numerous health care applications (Babakus and Mangold, 1992; Bowers et

al., 1994), acute care hospital (Carman, 1990), independent dental offices (McAlexander et al., 1994), AIDS service agencies (Fusilier and Simpson, 1995), with physicians (Brown and Swartz, 1989; Walbridge and Delene, 1993), in large retail chains (Teas, 1993), and in banking and fast food restaurants (Cronin & Taylor, 1992). In addition, there have been several studies involving the insurance industry (Stafford et al., 1998; Leste and Wanderley (1997); Westbrook and Peterson (1998); Mehta *et al.*, (2002)).

Ignorance of customers' insurance needs (the inability to match customers perceptions with expectations), and inferior quality of services largely account for this. The American Customer Satisfaction Index shows that, between 1994 and 2002, the average customer satisfaction had gone down by 2.5% for life insurance and 6.1% for personal property insurance respectively ([www.theacsi.org](http://www.theacsi.org)). In Greece, for example, 48% of consumers consider that the industry as a whole is characterized by lack of professionalism. Furthermore, 34% believe that insurers find various pretexts to avoid promised compensations ([www.icap.gr](http://www.icap.gr)).

### **2.3.2 Performance of Insurance in the Economic**

According to Mbelle (November 2005) the structure of Tanzania's economy is dominated by agriculture, while that of manufacturing is dominated by food and beverages, mainly for historical reasons. These structures have not changed for decades, due to limited financial resources to implement structural change. Since the enactment of the Banking and Financial Institutions Act in 1991 liberalizing the financial sector, there has been a rapid growth of financial institutions in Tanzania.

Skipper (1997) in his research paper show that a strong insurance sector promotes financial stability of firms and individuals and reduces the anxiety of experiencing unexpected losses or harms, by indemnifying policy holders if hardships occur. As a consequence insurance facilitates trade and commerce as it fosters entrepreneurial activity in environments that may be perceived as highly risky. Insurance, especially life insurance also mobilizes savings and enhances the efficiency of the financial system, by complementing banks in the role of financial intermediaries. Through these channels of risk transfer, indemnification and financial intermediation the insurance sector can therefore have very positive effects on economic growth. It could be argued, however, that the insurance sector is more likely to fulfill this role in countries at a relatively advanced stage of economic development.

Vaughan, (1982:28) show that in providing a mechanism through which losses can be shared and uncertainty reduced, insurance brings peace of mind to society's members and makes costs more certain. According to Lyaruu, (1998:11), the performance of insurance sector can strength the security of farmers. Agricultural Insurance can secure credit and will make the farmer a better credit risk and reduces problems associated with collateral, which the farmer will have to offer. If the crop fails, the bank will receive a payment from insurance Company. Insurance can be extended to agricultural sector and farmers can have a better access to credit. Insurance can help agriculture to develop through financial institutions, speed up commercialization and development of rural economy.

TIRA report (2010) shows that improved performance in Tanzania's economy is also reflected in the insurance industry. Higher per capita income, domestic savings, and

availability of more instruments for investing surplus funds have facilitated growth in the activities of financial services. Savers' risk appetite has also been increasing which can be seen by the growth in life insurance premium. The premium underwritten by life insurers in 2010 has grown by 81.2% as against 9.1% in 2009. However, the former minister for finance, Zakia Meghji (2006) said the performance of insurance in the overall economic development of the country was still below three per cent, which was the minimum norm as per international standards. She called upon all people in the industry to identify the gaps in insurance service delivery and find ways of plugging them for the benefit of the sector in Tanzania.

#### **2.4 Empirical Literature Review**

According to Laeven (1999, 2002), we now know from the recent crisis experience in East Asia that banks were taking excessive risks, largely unknown to small investors and depositors, although bank performance varied markedly across banks depending on such factors as the quality of management and the type of ownership Laeven (1999, 2002), among others. It is important to recognize the sheer magnitude of the insurance industry. During 2001, the world insurance business generated premiums valued at just under \$2.4 trillion, of which North America accounted for 39.4%, Europe 31.7%, Asia 24.7% and the rest of the world 4.2%. Given the nature of the insurance business, a great deal of this premium income is reinvested in local and international capital markets, which in turn makes insurers very significant institutional investors within the world economy.

Meyer *et al.*, (1998), in one of the most comprehensive studies by Swiss re, employed data from the 1996-97 period to examine the insurance market in CEE and



some of the NIS. Meyer *et al.*, found that while the market share of the former state monopolies was eroding – as a result of increased competition from both local and foreign firms- they were able to retain their dominant position within the local market. The findings also supported the contention that in those host countries where foreign insurers were permitted to operate they were able to capture a significant share of the local market. This was noted to be the case in both Hungary and Latvia and to a lesser extent in the Czech Republic, Slovakia, and Estonia. It was also shown that non-life insurance continued to be of great importance than life cover. Moreover, it was stated that the former was being driven by strong activity in motor insurance, as it is in Western Europe. In regard to life insurance, the authors contended that local customers increasingly viewed this type of coverage to be a good form of investment, especially in those countries of CEE that were more economic stability. In addition, it was also presumed that the life insurance sector would benefit greatly from pending reforms in state pension systems.

Mauritius has a much higher insurance penetration (premiums as a percentage of GDP) than India, Lebanon, Morocco and Sri Lanka and is on the same level as Chile, Cyprus and Singapore (Sigma 2002). The motor insurance policies are increasing competitive pressures and low profit margins, which makes insurance sector to be with a poor performance in growth. According to Pye (2003: 26) his research paper show that, many foreign and local insurers active in the region seem to be relying on motor insurance not only provide growth but more importantly to introduce consumers to their other product offerings, and hopefully in the process enhance the currently low lever of local insurance culture. While this education process is

essential, it is sure to be resource intensive, and in the end may not actually yield the necessary critical mass of customers required to support their operation.

Insurance companies are major participants in the contractual savings market. As noted in Vittas (2003), Mauritius belongs to a select group of developing countries where contractual savings (i.e., savings with insurance companies and pension funds) exceed 40 percent of GDP and represent a major potential force in the local financial system. Other developing countries with large contractual savings sectors include South Africa, Malaysia and Chile alongside most high-income countries and some island economies like Cyprus and Malta. The vast majority of developing countries in Africa, Asia and Latin America as well as most transition countries of Eastern Europe are well below this level.

In Tanzania according to TIRA report year (2010: 19) the performance of General Insurance product mix in the year 2007 shows a steady share of Motor insurance business at 36% (2009: 37%). This is followed by miscellaneous accident with 27% share (2009: 24%), Fire 21% (2009: 22%), Marine 6% (2009: 6%), Aviation 5% (2008: 6%), and Engineering 5% (2009: 5%). While in long term Assurance the performance of fund pension administration is 31.49%, other life business is 58.86% and retirement is 9.65%. By comparing with Greek performance in insurance business, Tanzania is not performing well in long-term business. May be the reason is due to lack of awareness in long term business. According to Bharat Book Bureau (July 8, 2008) the performance of Thai insurance industry, along with the wider Thai economy, has now however recovered from the depths of the Asian financial crisis

and is experiencing noteworthy growth. The trend is expected to continue as public awareness of the need for insurance increases.

## **2.5 Research Gap**

With the conquest of Kenya as a British colony complete, settlers initiated various economic activities, particularly farming, and extraction of agricultural products (Huxley, 1990). These substantial investments needed some form of protection against various risk exposures. British insurers saw an opportunity in this, and established agency offices to service the colony's insurance needs. Prosperity in the colony soon justified expansion of these agencies to branch networks with more autonomy, and expertise to service the growing insurance needs. By independence in 1963, most branches had been transformed to fully-fledged insurance companies (Maxon, 1993).

In the forty years since independence, Kenya's insurance industry has flourished, and by 2002 had 41 registered insurers, 15 transacting general insurance business, 2 transacting life businesses, while 24 were composite insurers – transacting both life and general insurances. Kenya's insurance industry leads within the East Africa Community (a trading block of Kenya, Uganda and Tanzania), and is a key player in the COMESA region, (Common Market for Eastern and Southern Africa). The industry employs over 10,000 people, underwrites well over €300m premiums, and pays over €120m per annum in claims. The largest 10 insurers handle over 70% of the motor business with a similar number handling well over 90% of the property business in the market Rand, G. K (2004)

In (Wikipedia.org, 15 December 2008) the global insurance premiums grew by 8.0% in 2006 (or 5% in real terms) to reach \$3.7 trillion due to improved profitability and a benign economic environment characterized by solid economic growth, moderate inflation and strong equity markets. While in Tanzania according to ISD report (2007) total market insurance premiums grew by 33.6% to TZS 154.0 billion in 2007 compared to TZS 115.3 billion in 2006. This performance is in excess of the set target of 15% annual premium growth for the industry.

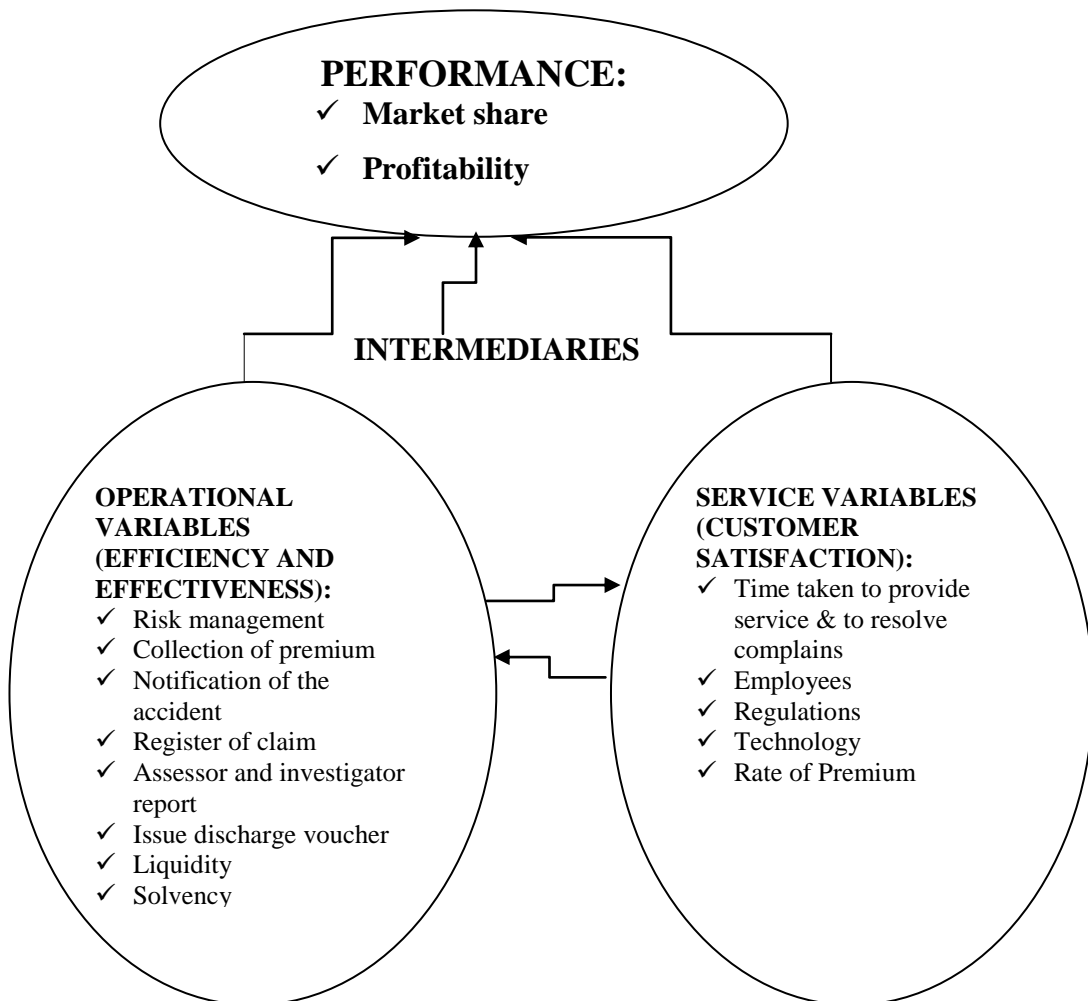
Some research findings do not appear to have transferred well to the workplace, that produce dual camp of knowledge producer from knowledge user, hence, create research gape. In developing valid knowledge to support thoughtful designing for practitioners that in turn support organizational problem solving in the field. The study is expected to give general enlightenment on the type of problem on hand. Unfortunately, managers continue to rely largely on personal experience to the exclusion of more systemic knowledge. New knowledge limited to problem results in solution to problem, finding of practical relevance and value to organization and manager, improve understanding of particular business or organization problem.

The insurance performance for the company depends on several number of factors which could be summarized by the figure above, the market share and profitability are the proxy of performance which is explanatory variable. The dependent variables consist of operational and service aspects as peroxide by efficiency and effectiveness in the former case and customer care for the latter. The list of several impacting variables in those aspect were also, form the part of conceptual framework. The

factor for the performance are well explained in the Kasturi, (2006) Efficiency of actuaries and assessors of the insurance policies in fixing premiums and settling claims is foremost an important area for achieving overall efficiency in operations. The quality of assessing the risk and estimation of losses has the largest claim on the performance of an insurance company. Well-trained, experienced and expert hands are needed for the operations. According to Birkmaier, (2002)

## 2.6 Conceptual Framework

### 2.6.1 The Performance of General Structure of the Insurance Market Place



**Figure 2.1: Variables Impacting Performance of Insurance Industry**

**Source: Data from author**

Baur and Enz (1994, as part of the ongoing research efforts by Swiss Re, identified a significant decrease in premium volume in most Central and Eastern Europe (CEE) and the NIS between “1988-92”. It was suggested that this decrease had resulted from a number of factors: a fall in the local standard of living; high rates of inflation; unclear conditions of ownership and the varied pace of the privatization process; and the abolition of various compulsory types of insurance. However, despite these conditions, the authors concluded that future prospects in the insurance market for most of CEE, and to a much lesser extent in the NIS, were favorable. Baur and Hess (1995) advanced this same proposition further by using data from the 1993-94 periods. Yet, the authors conceded that while growth rate in premium income had increased on average by 8% over the previous period against the worldwide average of just 6%, the insurance markets of CEE and Newly Independent states (NIS) were still extremely underdeveloped, representing less than 1% of the world market.

### **2.6.2 Insurance Market and Performance of Organization Base in Tanzania**

About the performance of insurance market in Tanzania Gumbo, (2006) noted that, Even if investment opportunities are to be found outside Tanzania to guarantee returns on investment, the law restricts insurance companies from investing across its borders, in order to prevent capital flight. Insurance companies would like to underwrite different policies, including funeral insurance, but this line of insurance business is next to impossible unless life assurance becomes vibrant.

According to Lyaruu (1999:17) for the performance of insurance market in Tanzania, the insurance companies should be offering services at the door-step and maximum

number of persons should be covered so that the concept of group marketing could be established. With a view to achieving this, the insurance industry should encourage formation of mutual or cooperative organization. Appointment of specialized trained persons, like agriculture graduates, vet, doctors, engineers, should be considered for marketing and servicing of business. The agency and servicing organization has to be developed at village to district levels. Sales literature has to be developed in understood languages.

The performance of insurance market in Tanzania is under ‘(Tanzania Insurance Regulatory Authority)’. TIRA report, (2010: 6) shows that there is an effort of widening and deepening the market. It is also aware that competition among the companies needs to be guided, hence strengthening its unit of inspection on a risk based approach to ensure that only those companies with high-risk profiles will be allocated with more resources in terms of time and analysis of their business. Majmudar & Diwan, (2009: 38) show that, there is still the need for buyers and sellers to get together. This is not the single market place but a structure.

## **2.7 Theoretical Framework**

### **2.7.1 Financial Performance of Insurance Companies**

According to Kasturi, (2006) Performance of insurance company in financial terms is normally expressed in net premium earned, profitability from underwriting activities, annual turnover, return on investment, return on equity etc. Budget variances measure the financial performance of insurance company. This performance will include both financial and non-financial performance. Financial performance for a

company with branches can be divided as profit performance and investment performance. These measures can be classified as profit performance measures and investment performance measures.

TIRA report (2010) show that the industry recorded a significantly improved and market grew by 24 percent in gross premium written compared to the previous year's performance (2009: 21 percent). The market growth was more than the growth of the nominal GDP and higher than the growth of nominal financial intermediation sector GDP during the period under review. This performance is in excess of the set target of 15 percent annual premium growth for the industry. However, in the same period real GDP growth was 7.0 percent (2009: 6.0 percent). The industry's contribution to the national GDP was 0.86 percent, compared to a contribution of 0.80 percent in 2009.

In addition underwriting year 2010, total assets of insurers had increased by 11 percent TZS 335.7 billion from TZS 320.6 billion of the previous year. Total insurer's investments increased by 24 percent from TZS 204.8 billion in 2009 to TZS 254.7 billion in 2010. The largest share of insurer's investment assets comprised Bank Deposit (39.4 percent), followed by Real Estate investment (31.3 percent), Government Securities (9.1 percent), Investments in Related Parties (9.0 percent), Shares (6.6 percent) and other Financial Investments (4.6 percent) in that order. General Insurance product mix in the year 2010 shows a decreased share of Motor insurance business at 31 percent (2009: 37 percent). This is followed by Fire 20 percent (2009: 20 percent), Health 18 percent (2009: 14 percent). Other classes



shared less than 7 percent each of total General insurance business. Although the Tanzania insurance industry continues to report strong profitability at an underwriting level, an expected increase in competitive pressure is set to drive down rates and profit margins. Out of the total insurance premium written during 2010 in respect of both long-term and general insurance businesses (TZS 287.0 billion), 62 percent of this amount was transacted through brokers (2009:64 percent).

### **2.7.2 Management Performance in Insurance Company**

Information about performance management is critical to the effective functioning of any business (Kaplan et al, 1992; McWilliams, 1996). However, what constitutes good performance and what constitutes good measures of performance are continuously being debated (Corrigan, 1998; Kaplan & Norton, 1998; Maisel, 1992). For instance, do financial performance indicators provide the necessary information for operating within environments that are classified as turbulent, given that they are backward looking (Armstrong, 2000; Barker, 1995; Kaplan, 1983). Is it important to utilize non-financial information for organizations that are facing changes in demand? (Chang, 1999; Kaplan, 1983).

To function successfully in a business environment, an organization depends upon the decision-making ability of its managers, who in turn, depend upon the availability of useable information (Banker, *at el.*, 1997). Information about performance is important in different ways to the various stakeholders within a business. For example, owners and investors are interested in company performance to ensure that their investment decisions are correct, and, if not, to look for

alternative investments. Managers look at the performance of a company's subunits as a way of prioritizing the allocation of resources (Duursema, 1999; Lockamy & Cox, 1994; Tricker & Dockery, 1995).

In a more strategic sense, performance measurement is seen as an important way of keeping a company on track in achieving the company's objectives and as a monitoring mechanism employed by the owners of a company where ownership and management are separated, Baker & Wruck, (1989). Defining performance for an individual company is highly dependent upon the company's business objective and strategy and is therefore quite unique (Hoffectker *et al.*, 1994;). For many firms however, the main performance indicators would typically include some combination of indicators across two broad categories: financial indicators and non-financial indicators (Barsky *et al.*, 1999; Brown *et al.*, 1993;). In this research I will measure management performance by using both financial and non-financial indicators. The factors, which influence the performance of insurance sector, will be identified from management performance.

### **2.7.3 Employees Performance and their Effect in Insurance Industry**

Even though individual firms tend to utilize firm-specific performance indicators appropriate to their needs, for many firms the main performance indicators would typically include some combination of financial; market/customer; competitor; human resource; internal business; and environment indicators (Barsky & Flick, 1999; Hoeffectker & Goldenberg, 1994). HRM practices create value by attracting and retaining employees, reinforcing employee behaviors and developing employee

skills through compensation, hiring and selection, staffing, training, work organization and employee involvement. They affect both managerial and non-managerial employees and affect efficiency to the extent that both groups play important roles in engaging or supporting profit-generating activities in banks (Frei, Harker & Hunter, 1998).

Solid empirical evidence shows that HRM contributes to organizational performance. This implies that bank efficiency may be increased by the effective management of human resources (Frei, Harker & Hunter, 1998). Companies that select the wrong strategy or the wrong performance measurement to drive their strategy to meet the external expectations may not survive, especially in an uncertain environment (Kaplan et al, 1996d). Therefore, the challenge for companies is to align their internal perception with the external perception, as this in itself may be a signal for managers in their choice of performance measures.

Satisfaction – performance dynamic, satisfaction enhances customer loyalty and retention, leading to increase revenues and lower operating costs, which result in increased profitability Zeithaml & Bitner, (2003). The main investigation focus of this study is on how well insurance companies are meeting customer requirements given their primary focus on financial measures for examining performance Bitner, (2001).

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology. The methodology in this study was geared towards determining factors influencing performance of the insurance industry in Tanzania. The major focus of this chapter was on research design, research techniques (qualitative and quantitative), Population inquiring, sample techniques, sample size, data collection methods (interviewing, questionnaires, observation and documentations) and type of data collected (primary and secondary data).

#### **3.2 Research Design**

The researcher used case study design to obtain the quantitative and qualitative data. Both primary and secondary data collected. Saunders et al, (2007) defines case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple source of evidence. The case study design adopted to provide in depth insight of the problem to be studied. The case study approach drawn information from many different sources such as interviews, observation and historical data. Cases studies can be exploratory, explanatory, or descriptive. The type used in this study was descriptive.

#### **3.3 Study Area**

The study conducted in Dar es Salaam region at Zanzibar Insurance Corporation. The selection of the region was on the basis that, it was the main commercial center

in the country for insurance business, and it was also the largest region in Tanzania with many insurance companies. Zanzibar Insurance Corporations a group had been around for over 50 years in East Africa and in Tanzania since 1960's, and is fully licensed to provide general insurance solutions within Tanzania.

### **3.3.1 Population of Enquiry**

The targeted population in this study included management of the organization, head of departments, staffs, insured and non-insured, insurance brokers and insurance agencies from Zanzibar Insurance Corporation, AON insurance brokers, Pacific insurance brokers, FED insurance brokers, Ndege insurance brokers, GAT Insurance brokers and Coastal Insurance agency at a proportion stated in the sample size.

### **3.3.2 Sampling Techniques**

The general framework for sampling was non probabilistic. In this case, simple random sampling and purposive sampling were used. The method was assisting to identify insured and non-insured, insurer respondent, Agency and brokers from selected insurance industry. These provided a range of methods that enabled me to reduce the amount of data needed to be collected by considering only data from sub groups rather than all possible cases or elements. The study applied sampling techniques.

### **3.3.3 Simple Random Sampling**

The study was based on simple random sampling with exception of staff, managers, insured and none insured in insurance of ZIC. By using simple random sampling

each element in the identified population have an equal probability of getting into the sample and all choices were independent of one another. The random number table has been used to obtain the sample elements consistence with determined sample size that deem appropriate for acceptable level of confidence and accuracy. In this study 15 insurance brokers selected from population of 50 existing brokers in Tanzania.

The researcher assigns each broker a unique two digit number, then, selected one in random manner proceeding with subsequent number right to the table in a regular and systematic way till the sample size of 15 reached from sample frame. Finally, the numbers selected that were outside the range of sample frame were ignored. 80% of the sample obtained through simple random sampling. Also simple random sampling provided each possible sample combination of an equal probability of being chosen. Simple random sampling helped a researcher to save time and its economical interviewed part of the population instead of studying all the population.

#### **3.3.4 Purposive Sampling**

According to Saunders *et al.*, (2000), purposive or judgmental sampling enables the researcher to use his judgment to select cases that will best enable him to answer the research questions and to meet the objectives. This form of sample is often used when working with very small samples such as in case study research and when one wish to select cases that are particularly informative. Here the study judgment used to select the cases that made up the sample. Heterogeneous character of individuals motivated the study to choose this type of sampling technique so as to obtain chance of asking any insured, non-insured and employee of the organization. Researcher

owns judgment used on the elements to be selected. However, the study selected sample elements for those not covered in the simple random sampling. The main targeted groups for the purposive sampling were insured and non-insured, insurer and agency in insurance sector. The technique used is that, the researcher has taken the population from three categories 27 insurance companies, 200 insurance agencies and 20 corporate clients. The sample of fifteen (15) insurance companies, 80 agencies and 12 corporate clients were selected out of respective population group. The researcher used the responses to conclude for the whole population from five (5) managers out of 15 insurance companies, six (6) intermediaries out of 80 insurance agencies and four (4) corporate insured out of twelve (12). About 20% of the sample was obtained through purposive sampling to conclude for the whole population.

**Table 3.1: Figure of Respondents**

S/N	Category of respondents	Number of respondent	Their position
1	Managers ZIC	<b>5</b>	Managers
2	Managers from intermediaries	6	Owners/Principals
3	Corporate insured	4	Senior Officers

**Source: Data from field study (2012)**

### **3.4 Sample Size**

The study carried out by taking into consideration the number of departments presently exists in insurance companies and intermediaries. The population was divided into three strata, which include, insurers, insured (Corporate), and intermediaries. The targeted populations were 27 insurers with sample size 15, 200 agencies with sample size of 80 and 20 corporate customers with sample size of 12.

### **3.5 Data Collection Tools**

Both primary and secondary data were used. Primary data was collected by means of structured and unstructured questionnaires. Secondary data obtained from various sources including book, journal and Internet. Data that collected are those that were assisting in defining relationship that existed between insured and insurer performance as result of insurance.

#### **3.5.1 Interviews**

Interviews are a narrative method of collecting data (Blaxter *et al.*, 2001). According to Yin (2003) the interview is the most important source when it comes to obtaining information within a case study. There are three different kinds of interviews: open ended interviews, focused interviews and survey interviews. The most common interview is open ended, where the researcher ask the questions about a certain issue as well as letting the respondent to propose his or her opinions about the matter. A focused interview can be open ended but the interview is often done faster.

The researcher is also most likely following pre made questions. A survey interview is structured in the way that the researcher is following a more strict form of questions, similar to formal survey. It is focused on collecting quantitative data (Yin, 2003). Due to the nature of the research, the study used a mix of open ended and focused interviews with an interview guide as a foundation; the respondents was able to talk freely about the aspects surrounding the question (see Appendix one).



**Table 3.2: Data Collected by Interview**

S/N	Respondents	Type of Data
1	Managers ZIC	Financial & management performance, Marketing & business performance, Claim & underwriting performance, operations of the company, quality of service, relation with customers, introduction of new products, company challenges, ZIC strategies to improve performance.
2	Managers from intermediaries	Client & intermediaries satisfaction with Service offered by ZIC, Complain from insured, business not renewed, ZIC staff performance & management, challenge facing ZIC & Recommendations about insurance sector.
3	Corporate insured	Client satisfaction with service offered by ZIC, Time for settling claim, awareness & accessibility about product, Challenge facing ZIC, recommendation about ZIC performance,

**Source: Data from field study (2012)**

### 3.5.2 Questionnaires

Questionnaires are an instrument of data collection that consists of a set of predetermined and structure questions given to the subject to respond to in writing or to be filled by researcher through self administer questionnaire (Adam & Kamuzora, 2008). Mail questionnaire and self – administered questionnaire are two types of questionnaires (White, 2002). In this research the study used self-administered questionnaire because it reduces the problem of low rate of return experienced in mailed questionnaires and it consume less time and cost. Also self-administered questionnaire is a good way of data collection when the survey is confined to a local area, and the organization is willing and able to assemble groups of employees to respond to the questionnaires at the work place (Sekaran, 2003). Questionnaires

administered to them were written in English, but respondents were free to answer in English or Kiswahili to enable customer's respond to them comfortably.

**Table 3.3: Data Collected by Questionnaire**

S/N	Respondents	Type of Data
1	Staff from ZIC	Claims and underwriting service, operations of the company, quality of service, products & rate premium, relation with customers, performance & challenge, ZIC strategies to improve performance, the use of technology in providing services, Business and employee performance, financial performance & market performance.
2	Intermediaries & insured & non- insured	Insured & intermediaries satisfaction with Service offered by ZIC, products & rate of premium, Claim & underwriting services, technological performance, accessibility of service & products awareness, challenge facing ZIC & Recommendations about insurance sector, business & market performance.
3	Corporate insured	Client satisfaction with service offered by ZIC, Time for settling claim, awareness & accessibility about product, Challenge facing ZIC, recommendation about ZIC performance,

**Source: Data from field study (2012)**

### 3.5.3 Observation

To use observation method of data collection a researcher must be present to the field. This means that in order for the observation to take place, the observer must be present when the event happens. Data will be obtained by the help of the sense organs, i.e. by seeing, hearing, smelling, testing and touching (Adam & Kamuzora, 2008).

The researcher conducted observation by looking variables such as, how insured and non-insured are served by insurance brokers and insurance companies employees, how long it take to be served in terms of claims settlement and other services, customer complaints etc. This technique enabled the study to verify information collected from the questionnaires and interviews.

#### **3.5.4 Documentation**

Documentation is important for almost every case study. Documents can be letters, memoranda, agendas, newspapers clippings or other articles in mass media or community newsletters. In case studies documentation is best used to confirm and argument evidence from other source (Yan, 2003). The following secondary data were used in this study: web pages, printed materials such as claim settling procedures, rate of premium for various risks (e.g. Marine, fire, burglary, good in transit, motor, money in transit, public liability, workman compensation etc), managerial operation, company strategic and organization performance.

### **3.6 Data Analysis and Reporting**

Data collected were analyzed by using frequencies and percentages in order to summarize, and organize data in meaningful way. The data were interpreted so as to give clear meaning to the reader. Sample drawn from the population were used to draw conclusion about the whole population. The aim of the study was to find factors influencing performance of the insurance industry in Tanzania and a case of study was Zanzibar Insurance Corporation considering the aim and nature of the research problem, both descriptive and analytical approaches were applied. The descriptive part of the study were dealing with explaining the general aspects related to factors,

which influence the performance of insurance services at Zanzibar Insurance Corporation. Descriptions of the experienced factors, which influence insurance services at Zanzibar Insurance Corporation, for instance rate of premium, awareness of client on insurance products, insurance brokers and agencies, delay in settling claim, mode of operation of Zanzibar Insurance Corporation were covered.

The analytical aspect was dealing with the analysis of the performance of Zanzibar Insurance Corporation in terms of sales revenues (underwriting premium), services, number and quality of employees, the ability to settle claims, rate of premium, operations and marketing of brokers and agencies, and awareness of insured about product. The study was both qualitative and quantitative. The idea was to gather as much data as possible. It also helped this study to produce accurate representation of the target population. The study administered through interviews, structured questionnaire, documentation and observation.

### **3.6.1 The Credibility of Research Findings**

The act of ascertaining or testing whether research finding have passed the test and be representative evidence and conclusion that stand up to the closest scrutinization (Raimond, 1993), meaning that scientific methodology need to be seen for what it truly is as a way of preventing the deception in regard to creatively formed subject developed out of relationship between researcher and the materials (Roger, 1961).

#### **3.6.1.1 Data Reliability**

Reliability refers to the extent to which data collection techniques or analysis procedures will yield constant findings (Easterby – Smith *et al.*, 2008). The

reliability test might be undertaken by assessing whether the measurement used yield the same result on other occasion, similar observations be reached by other observer and assessing transparency in how sense was made from the raw data. During the data collection the researcher has identified the principle benchmark and yard stick for data reliability and justify the highest degree of reliability of finding.

The factors that impose data reliability was attempted to be minimized and eradicated to optimize the result trustworthy for realist application. The factor are such as subject or participant error, subject or participant bias, observers' errors and observers' bias, all have been taken into consideration to ensure the credibility of research findings. The researcher has taken into account during the study the factors like level of knowledge of research contents and organization, appropriateness of study location, testing understanding, and approach to testing data, recording and demonstration of attentive listening.

### **3.6.1.2 Data Validity**

Validity is concerned with whether the findings are really about what they appear to be about. The extent to which data collection methods accurately measure what they were intended to measure. It is the relationship between two variables under observation, i.e. a causal relationship. The researcher has taken sufficient measure by research design that built in the opportunity for focus groups after the questionnaire result had been analyzed. The major threat mitigated by researcher were respondents' history about subject matter in question, testing, instrumentation, mortality, maturation and ambiguity about causal direction.

### **3.6.2 Research Approach**

A basic distinction can be made between a qualitative and quantitative research method. In most situations, numbers describe the quantitative data, and words describe the qualitative data (Blaxter *et al.*, 2001). Qualitative research tends to offer more detail about the subject with data in large scale, which is often perceived as “facts”. On the other hand quantitative research is concerned with collecting and analyzing information in many forms. It tends to focus on exploring in detail, which provides more precision.

## **CHAPTER FOUR**

### **4.0 PRESENTATION AND DISCUSSION OF FINDINGS**

#### **4.1 Introduction**

The presentation and discussion of findings from questionnaires, interviews, observation and secondary data were treated with equal importance to explain factors influencing performance of Insurance Industry in Tanzania. This chapter contains six sections including; characteristics of respondents, mode of operation and service rendered by Z.I.C, variables impacting mode of operation in underwriting, claim and finance departments, Extent of services rendered by Zanzibar Insurance Corporation (ZIC) and its impact in performance delivery, challenges facing ZIC in maximizing service delivery and strategies that will enhance performance of ZIC.

#### **4.2 Characteristics of Respondents**

The general descriptions of the respondents i.e. insured, intermediaries, Non – insured and Insurer are going to give us the overview of the people participating in insurance industry. Under this section the study looked at the age structure and education level of respondents.

##### **4.2.1 Age structure of Respondents**

Data from Table 4.1 revealed that out of 90 respondents 72 (80%) were between 25 and 60 years old, 11 (12%) were above 60 years old, whilst 7 (8%) were below 25 years old. The results from Table 4.1 showed that majority of the people started business or became employed at the age of 25 to 35 after completed their studies, while 8% of respondents began business after completion of primary education at the

age below 25. The former group buys assets such as motor vehicles, buildings, home furniture, electronics equipments and also assumed their family responsibility. Therefore need to protect their assets against risk.

**Table 4.1: Age Distribution of the Respondents**

	<b>Frequency</b>	<b>Percentage</b>
Between 25 – 60	72	80
Above 60	11	12
Below 25	7	8
<b>Total</b>	<b>90</b>	<b>100</b>

**Source: Data from field study (2012)**

Furthermore the results revealed that young, active, energetic people and cooperative clients at the age of 25 to 60 years engaged in business and employment activities to support their families or complement income from other sources. This category also needs to insure their property and business against risk. Beyond 60 years old comprised of retired who were involve in faming and animal husbandry. Although the retired one have assets, but they cannot insure them against risk due to lack of money for paying insurance premium. Those below 25 years were found to be in school or do not had enough knowledge of doing business and majority was not employed. Generally, this group did not possess enough assets to insure against risk.

#### **4.2.2 Education of the Respondents**

Data from Table 4.2 indicates that out of 90 respondents 74 (82%) were university education, 15 (17%) of the respondents were secondary education/diploma and 1 (1%) holder of primary education. Hence the study revealed that majority of people who participating in insurance industry were educated people.



**Table 4.2: Distribution of Respondents by Education**

<b>Education</b>	<b>Frequency</b>	<b>Percentage</b>
University education	74	82
Secondary education/diploma	15	17
Primary education	1	1
<b>Total</b>	<b>90</b>	<b>100</b>

**Source: Data from field study (2012)**

### **4.3 Mode of Operation and Services Rendered by ZIC**

The study revealed that Zanzibar Insurance Corporation was providing insurance services to the government, corporate clients and Individual clients. This section is divided into two parts which include; mode of operation of ZIC and services rendered by ZIC. These findings helped to determine if the mode of operation and services rendered by ZIC affected the performance of the company.

#### **4.3.1 Mode of Operation of Zanzibar Insurance Corporation (ZIC)**

ZIC makes profit in two ways: (1) through underwriting, the process by which insurers select the risk to insure and decide how much in premiums to charge for accepting those risks and (2) by investing the premiums they collect from insured. During the field study it was found that, the most complicated aspect of the insurance business was the underwriting of policies. Using a wide assortment of data, insurer predicts the likelihood that a claim will be made against their policies and price products accordingly. Upon termination of a given policy, the amount of premium collected and the investment gains thereon minus the amount paid out in claims is the insurer's underwriting profit on that policy.

Of course, from the insurer's perspective, some policies are winners (i.e., the insurer pays out less in claims and expenses than it receives in premiums and investment income) and some are losers (i.e., the insurer pays out more in claims and expenses than it receives in premiums and investment income). (wikipedia.org. December 15, 2008). ZIC also earned investment profits on “float”. “Float” or available reserve is the amount of money, at hand at any given moment that an insurer has collected in insurance premiums but has not been paid out in claims. Insurers start investing insurance premiums as soon as they are collected and continue to earn interest on them until claims are paid out.

In managing the claims-handling function, insurance company seek to balance the elements of customer satisfaction, administrative handling expenses, and claims overpayment leakages (wikipedia.org. December 15, 2008). According to this mode of operation the findings were obtained to determine mode of operating underwriting department, mode of operating claim department and mode of operating finance department at Zanzibar Insurance Corporation. These findings are divided into three parts as follows; Mode of operating underwriting department, mode of operating claim department and mode of operating finance department.

#### **4.3.1.1 Variable Impacting Mode of Operation of Underwriting Department**

Data from Table 4.3 showed that out of 90 respondents 40 (44%) said that the company was doing well in providing renewal notice to their clients. While out of 90 respondents interviewed 50 (56%) were not satisfied with the mode of sending renewal notice to insured. This was due to a delay to send renewal notice to clients and sometimes failed to send them totally. Respondents said that delaying or not

sending renewal notice affected both clients and the company, hence failed some clients to plan or budget for insurance expenses. As a result some clients were found guilty by traffic police due to possession of expired motor insurance. The company lost insurance business because clients insured to other insurance companies. Also renewal notice helped clients to become aware of insurance services; it also helped the company to plan for the future, reduced risk, and management cost and wastage of time because the existing businesses were already assessed.

For the management to control sending renewal notice, the company must be dealing with drop outs of insured on monthly basis. Number of dropouts from the insurance contracts must be observed time to time and a proper analysis to be made for analyzing the causes for drop out. The company may formulate policies to allow the customers to integrate back into the stream. The company also must consider the importance of tracing and customer retention.

Risk Management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events (wikipedia.org. December 15, 2008). The aim of assessing the risk is to know if this risk is insurable or not and know if the risk is insurable according to the standard of the company.

Data from Table 4.3 showed that out of 90 respondents interviewed 57 (63%) said that ZIC was doing well in risk management; while out of 90 respondents 33 (37%) were not satisfied by the company risk management. The reason was that sometimes

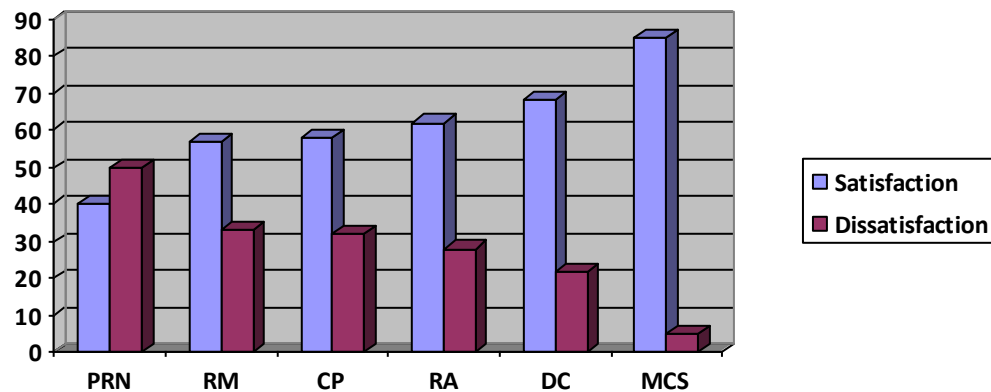
they insured risk without assessing; insured the risks which were not in the required standard and sometimes not insurable for example fake claims. Other impact of not assessing the risk was the failure of the company to fix the required rate of premium, failure of insurer to predict the likelihood that a claim will be made against the risk. Also the findings showed that sometimes underwriters were underwriting what comes from intermediaries and direct clients. The study noted that lack of qualified employees to undertake risk management was one of the factors of not performing well in risk management. Hence if the company is not assessing the risk, it affects underwriting profit of the company due to set low rate of premium and increase of claims. This result concur with the findings of, Kasturi, (2006) who also found that, “The efficiency of actuaries and assessors of the insurance policies in fixing premiums and settling claims is foremost an important area for achieving overall efficiency in operations. The quality of assessing the risk and estimation of losses has the largest claim on the performance of an insurance company. Well-trained, experienced and expert hands are needed for the operations.”

**Table 4.3: Data of Respondent in Questionnaire Related with Mode of Operation in Underwriting Department**

Mode of operating (MO)	Satisfied		Not satisfied	
	N=90	%	N=90	%
Providing of renewal notice (PRN)	40	44	50	56
Risk management (RM)	57	63	33	37
Collection of premium (CP)	58	64	32	36
Risk acceptance (RA)	62	69	28	31
Documentation (DC)	68	76	22	24
Mode of cancellation of service (MCS)	85	94	5	6

**Source: Data from field study (2012)**

Where by N=Number of frequency



**Figure 4.1: Graphical Presentation of Respondent**

**Source: Data from field study (2012)**

Data from Table 4.3 showed that out of 90 respondents interviewed 58 (64%) agreed that the company was doing well in collection of premium; the indicator of doing well was the settling of claims on time, growth of the company and getting insurance service on cash basis. While out of 90 respondents 32 (36%) were not satisfied by collection of premium from insured and intermediaries. This was caused by the nature of insurance market to provide insurance services on credit. As a result insured some times were not paying premium total, delay to pay premium, or pay premium after accident. The findings are supported by age analysis from Table 4.4.

The effect of not doing well in collection of premium increased operating expenses in collection of premium from both intermediaries and insurer. This affected liquidity ratio of the company (The liquidity ratio indicator measures the amount of available cash to meet the “short term” obligations of the company). Also the mode of providing insurance services on credit affected solvency of the company. The

study also revealed that the ZIC policy show that insurance services were provided on credit for business which came from the brokers and on cash basis for business from direct clients and insurance agencies. The nature of the insurance market and marketing competition were forcing the company to provide insurance services on credit for direct clients and insurance agency. However insured were allowed to pay premium by installment for example COMPREHENSIVE product.

Data from Table 4.3 revealed that out of 90 responded interviewed 62 (69%) said that insurer were doing well in risk acceptance, while 28 (31%) did not agree with the performance of the company in risk acceptance. This was caused by delay in issuing the quotation and pro - former invoice on time. The impact for the company was to lose business through the intermediaries. Underwriting premium also decreased due to increased competition of insurance companies in the market by undercut rate of premium. But the study noted that delay in issuing the quotation or pro - former invoice was done to very few intermediaries who were not providing business to the company. Also the study noted that the delay was done on the businesses which were not potential to the company due to the claim expectations.

The result from Table 4.3 showed that majority of the respondents out of 90 respondents 68 (76%) said that the company was doing well in documentation or processing of documents e.g. endorsement, policy documents, certificates, invoice etc. While out of 90 respondents 22 (24%) showed that the company was not performing well in documentation for example delayed processing of policy documents and sends them to insured, delayed in sending renewal notes to their

client to renew their policies, and sometimes to send certificates to intermediaries. As the result insured were not aware with terms of contracts which were enclosed in policy documents.

On the other side clients said that renewal notes helped them to plan about future premium payable to insurer and other disturbance to traffic police for expired insurance for those clients who have insured motor vehicle. Data from Table 4.3 revealed that out of 90 respondents 85 (94%) agreed that cancellation of insurance policies by insured was done on time and also the company returned premium on time. Furthermore the study found that when cancellation was done, the policy cancelled under prorata. On the other side very few out of 90 respondents interviewed 5 (6%) clients said that the insurer was delaying in cancellation of policy. The study further revealed that, the company was excellent in cancellation of policy and return of premium.

**Table 4.4: Premium Age Analysis from Brokers and Agencies**

Description	Less than 90 days	Between 90 to 180 days	Between 180 to 360 days	Over 360 days
Premium in (%)	60	31	7	2

**Source: Data from field study (2012)**

Data from Table 4.4 showed that 60% of premium booked existed in the company for 90 days without being settled by intermediaries and direct clients. 31% of the businesses booked by the company were not settled for 180 days. This constituted 50% of businesses reported to TIRA as an asset, and 50% were not reported as an

asset of the company. And all business over 180 days was not reported to TIRA as an asset of the company and this had affected solvency and liquidity of the company. The study discovered that more than 50% of the customers (sample) have been dissatisfied by provision of renewal notice which implying an adversely affects in performance while risk management, collection of premium, risk acceptance, documentation and mode of cancellation of service altogether satisfy the customer above 50% ranging from 52% to 85%. Therefore, Z.I.C should devote more in improving renewal reminder service to the existing customer simultaneously improving other variable to 100%.

#### **4.3.1.2 Variable Impacting Mode of Operation of Claim Department**

A claim arises on the occurrence of a contingency insured against and, in a way, is the proof of the existence and validity of the insurance cover. The insurance policy stipulates the procedure to be followed by the insured, starting with the intimation of the claim. The insurance company requires a claim form to be completed giving full particulars of the risk insured as also of the event giving rise to the loss. The onus of proof that the claim is payable as per the policy terms will be on the insured which the insurer will seek to verify, if necessary with the assistance of a surveyor. The insurer will settle the claim as soon as he/she are satisfied that the loss is covered under the policy. In case the policy under which the claim has occurred is reinsured, the insurer having paid the claim to the policyholder, will affect a recovery from the re insurer as per the terms of reinsurance. The following result from Table 4.5 were collected for the aim of investigating mode of operation in claim department and the outcome of this mode to the company performance.



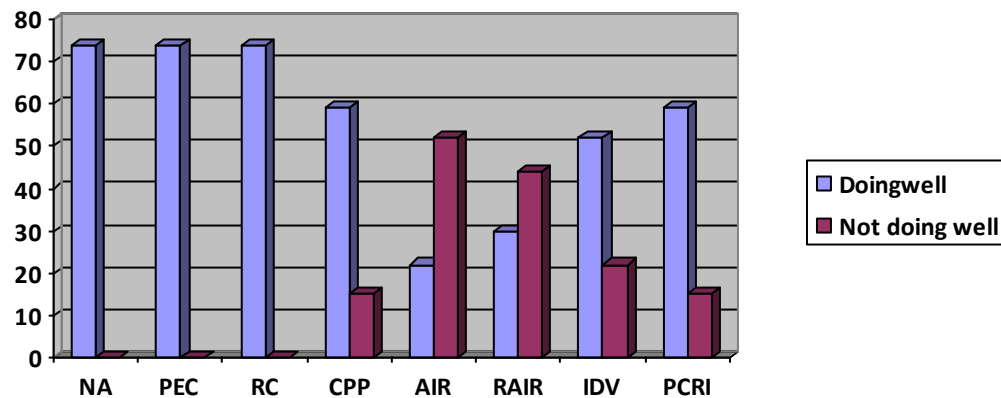
Table 4.5 present the findings related to the mode of operating claim department at Zanzibar Insurance Corporation. The study revealed that there was no delaying in notification of the accident or claim, proof of cover if it exist and register of claim. According to the company policy. “All new claims notified must be acknowledged within two (2) working days and the action to be taken advised to the client or intermediary. New claims must be registered within two (2) working days after receipt of notification. Assessor or adjuster should be instructed within two (2) working days of notification as long as the claim is valid and premium has been paid”.

**Table 4.5: Data of respondents regarding mode of Operation Claim Department**

Stage in processing claim	Doing well		Not doing well	
	N=74	%	N=74	%
Notification of the accident (NA)	74	100	0	
Proof of cover if it exist (PEC)	74	100	0	
Register of claim (RC)	74	100	0	
Confirmation of premium if paid (CPP)	59	80	15	20
Assessor and investigator report(AIR)	22	30	52	70
Reviewing of assessor/Investigator report and decision making (RAIR)	30	41	44	59
Issue discharge voucher (IDV)	52	70	22	30
Preparing a cheque & release a cheque to insured (PCRI)	59	80	15	20

**Source: Data from field study (2012)**

Where, N=Number of frequency



**Figure 4.2: Graphical Presentation of Respondent Claim Department**

**Source: Data from field study (2012)**

Data from Table 4.5 showed that, out of 74 respondents 59 (80%) said that there was no delay in confirmation of premium, while out of 74 respondents 15 (20%) shown that there was delaying in confirmation of premium if paid or not. The present work found that delay in confirmation of premium was caused by brokers; agency or direct client not disclosing clear information about payment. To avoid this, the company was making sure that for any receipt concerning premium must contain full information of what was paying for.

Also delay in confirmation was caused by intermediaries and insured for failure to pay premium on time or pay after accident which affected settling claim on time. Also as per company policy no claim could be compensated if premium not settled or if premium settled after accident. The study revealed that this policy encouraged insured and intermediaries to pay premium on time and it reduced delay in settling of claim on time. The benefit to the company was reduced solvency and increase of liquidity.

The result from Table 4.5 showed that, out of 74 respondents 22 (30%) were satisfied with assessor or Investigator works, while out of 74 respondents 52 (70%) said that appointment of assessor was excellent within 48 hrs. However respondents said that the problem was to get assessor or investigator report and if the report has been received could take up to 12 weeks to get discharge voucher (DV) but when DV was signed, a cheque was fairly received on time.

Also the study revealed that sometimes assessors or Investigators came up with unclear report in terms of amount of money which was required to be compensated to the insured and repudiating of genuine claim. On the other side respondents said that these problems were caused by the company to appoint unqualified assessors or Investigators. Further the study noted that the complicated issue of assessing or investigating claim was caused by insured to report fake claims which were not open for assessment or investigation due to failure of insured to enclose all required information. Some times for genuine claim insured were not enclosing all document which were required by the company for example police report, to fill claim form, to submit repair estimation or replacement quotation which caused the company to delay in payment.

Data from Table 4.5 revealed that; out of 74 respondents 30 (41%) said that management was doing well in reviewing the assessor report. While out of 74 respondents 44 (59%) were not satisfied with the time taken by the management to review assessor or investigator report and making decision which took up 8 weeks, which was not fair for the person who got damage. The management showed that

delaying decision-making was caused by lack of enough information from insured, assessors or investigators for decision making. The findings concur with Banker, et al, (1997) who also found that. “To function successfully in a business environment, an organization depends upon the decision-making ability of its managers, who in turn, depend upon the availability of useable information. Information about performance is important in different ways to various stakeholders within a business”.

According to the data from Table 4.5 the study revealed that mode of operating claim department was not performing well in some areas for the insured and intermediaries delayed to pay premium on time, delayed or didn't submitted the required claim documents on time, reported fake claims, paid premium after claims and lack of enough knowledge about insurance which delayed settling of claims on time. This was associated with increased expenses to the company, reduced underwriting profit and affected the operations of the company. The same findings were also reported by Temu, (1997), who found that the task of NIC to settle claims as faster as possible to enable its clients continue with their business was difficult where hostile business environment repudiated with fraudulent claimants. There came the need to thoroughly scrutinize each claims leading to delays. For example, between January, 1997 and June, 1997, some 50 claims were given to the firm's inspectors for re-assessment and some TZS: 136,695,473/= was found to have been inflated. But again during a period between June 1995 and June 1996 NIC handed to an investigator 75 claims files amounting to 1.28bn/= and findings were that 34 files, with claims amounting to TZS: 599,634,916/= were fraudulent.

The same investigator was also assigned 86 claims files between June 1996 and June 1997, and out of the files 52 claims were fraudulent. People were employing a variety of tricks and dirty games that were designed to deprive NIC and the government of money. A-part from forging claims, some motor vehicle owners were forging motor insurance stickers by changing expiry dates instead of renewing their policies. Presumably, they did so in order to fool the traffic police, but the problem started when they were involved in accidents and claims submitted to insurance company. The study shows that the variables notification of the accident, proof of existence of cover and register of claim are being delivered excellent, conversely, all variables pertaining to assessor are delivered very lesser that indicate the need of special measure by the management so that to increase the performance.

#### **4.3.1.3 Variables Impacting Mode of Operation in Finance Department**

It is important to know mode of operating finance department in order to find out the performance of finance department in insurance industry. The study showed that respondents interviewed agreed that the finance department was doing well in investment of premium collected from insured and intermediaries. Furthermore the study revealed that finance department was not doing well in liquidity ratio and solvency due to insurance market structure where insurance service were provided on credit. The insurance rate is a factor used to determine the amount, called the premium, to be charged for a certain amount of insurance coverage. If the likelihood of an insured event is so high, or the cost of the event is so large, that the resulting premium is large relative to the amount of protection offered, it is not likely that anyone will buy insurance, even if an offer. Further, as the accounting profession

formally recognizes in financial accounting standards, the premium cannot be so large that there is no reasonable chance of a significant loss to the insurer. If there is no such chance of loss, the transaction may have the form of insurance, but not the substance. (U.S. Financial Accounting Standards Board standard number 113). This study from Table 6 was conducted to see if ZIC was providing Affordable Premium.

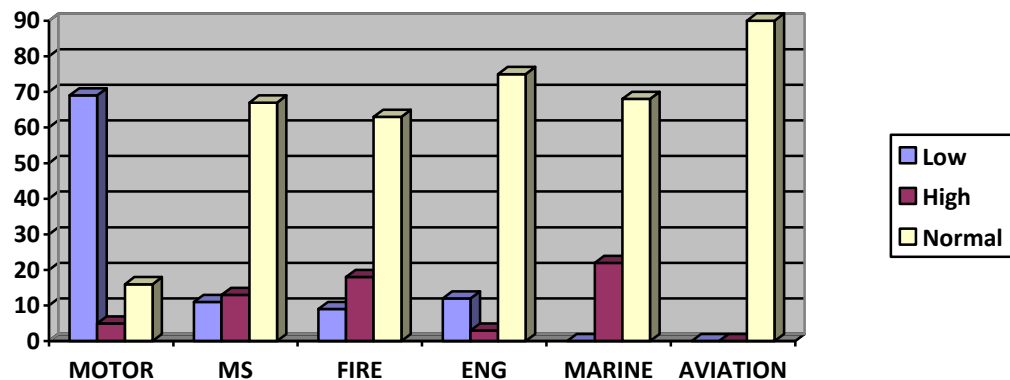
Also according to (Cambridge International Manual, 2004. pp .120), rate of premium should be related only to the actual risk to be undertaken. It should not be based on the principle that any losses on one class of risk may be offset against any profits from another type of risk. For example, losses on motor business should not be compensated for by profits on fire business. The premium on one type of risk should not be increased because a loss made on another type. The ideal 'premium rating for a particular type of risk should neither show an excessive loss nor an excessive profit. The study got the following results to see if the rates of premium which were charged by ZIC were affordable compared to the other insurance companies.

**Table 4.6: Data of Respondent Concerned with Rate of Premium Charged by ZIC**

Types of risk	Low rates		High rates		Normal rates	
	N=90	%	N=90	%	N=90	%
Motor	69	77	5	5	16	18
Miscellaneous	11	12	13	14	67	74
Fire	9	10	18	20	63	70
Engineering	12	13	3	4	75	83
Marine	0	0	22	24	68	76
Aviation	0	0	0	0	90	100

**Source: Data from field study (2012)**

Where by N=Number of frequency



**Figure 4.3: Graphical Presentation of Respondent for Premium Charged by Z.I.C**

**Source: Data from field study (2012)**

Data from Table 4.6 showed that out of 90 respondents 69 (77%) indicated that the rate which was charged on motor cover was low compared to those in other insurance companies in insurance market. 5 (5%) of the respondents said that the rate which was charged on motor cover was high and 16 (18%) of the respondents highlighted that it was normal. On miscellaneous cover for example profession indemnity, burglary, money in transit, good in transit, all risk etc) the study revealed that out of 90 respondents 11 (12%) agreed that the rate was low, 13 (14%) of the respondents complained that the rate was high and 67 (74%) of the respondents said that the rate was normal. About Fire out of 90 respondents 9 (10%) said the rate was low, while 18 (20%) of the respondents complained that the rate was high whereas 63 (70%) of the respondents were satisfied that the rate was normal. For engineering out of 90 respondents 12 (13%) said the rate which was charged was low but 3 (4%) of the respondents complained that the rate which was charged on engineering was high and 75 (83%) of the respondents agreed that the rate which was charged on

engineering was normal. Also about marine cover out of 90 respondents 22 (24%) complained that the rate charged was high where by 68 (76%) of the respondents were satisfied with the rate by agreeing that it was normal. For aviation cover all 90 (100%) respondents were satisfied with the rate which was charged that it was normal.

Generally rates charged by ZIC seemed to be doing what is called cash flow underwriting. Some of the premium rates quoted was very low compared to market rates especially on motor and Contractor All risk. The study found that, majority of respondents who said that the rate charged by ZIC were low were brokers and agencies and those who said that the rate were high were insured. The finding indicates the low rate of premium charged in motor insurance while a normal rate is absolutely charged in the marine and aviation variable and the rest of the variables premium charged is considerably normal.

#### **4.3.2 Scope of Service Rendered by Zanzibar Insurance Corporation (ZIC)**

Zanzibar Insurance Corporation deals with provision of insurance services which include; fire and allied perils, fire consequential loss, domestic package, asset all risks, motor, employers liability and workmen's compensation, personal accident, burglary, public liability, marine cover, money in transit, goods in transit, fidelity guarantee, vessel, contractors all risks (car), works damage. Also, the company continued with follows up and provides after sales services for all giants clients. The following were variables tested in field to see if they were affecting insurance services at ZIC.



### **4.3.3 Variables Impacting Performance in Service Rendered by ZIC**

The performance of an insurance company depends on four important functions: Identification of markets, Assessment of risks (of the insured and the insurance corporation) and estimation of losses, Penetration into and exploitation of markets, and Control over investment and operating costs. The basic measures of performance were economic viability and sustainability. Once these are achieved, company's objectives may turn on long-run profitability, expansion and growth, market share as well as to diversification. Each of these stages requires strategy.

The individual interests of the managers and other employees of the organization may not match with the interests of the organization, leading problems in attaining the organization goals. Several variables were impacting the performance of company. Some of these were external to the organizations (referred to as environmental factors, and some were internal). Environmental factors were customers, competitors, regulatory and political condition. Front line management of insurance the company constantly updated its knowledge on the external environment to formulate strategies.

The potential market for insurance was to be identified and compared with the internal efficiency of the company so as to formulate a strategy. Due to these factors the study was conducted to investigate variables which were affecting the performance of ZIC. The study found that the company's performance was affected by Variables impacting performance in underwriting department, in Claim department and in finance and administration department.

#### 4.3.3.1 Variables Impacting Service Rendered of ZIC in Underwriting

##### Department

Policy holders (insured) focus on product and quality of services, i.e. the economics and the reliability of the contingent payment promise made by their insurers and supplemented by competent services. Favourable customer relations usually pay off in the form of lower marketing costs and a stabilization of premium income based on customer loyalty. Intermediaries also were important or even vital to ZIC business origination. In certain markets and segments brokers generate the lion's share of insurers' premium income. Mutual trust, familiarity and knowledge based on favourable supply chain relations can serve as a "lubricant" for the insurer's value chain and therefore increase profitability. Due to customers' needs the following data were obtained to determine variables impacting performance of ZIC in underwriting department.

**Table 4.7: Variable Impacting Underwriting Department**

Variables	Impacting		Not impacting	
	N=85	%	N=85	%
Time taken to provide service & to resolve complains	25	29	60	71
Customers satisfactions of services	22	26	63	74
Employees	32	38	53	62
Brokers & Agency	26	31	59	69

**Source: Data from field study (2012)**

Where by N=Number of frequency

The result from Table 4.7 showed that, out of 85 respondents interviewed 60 (71%) indicated that time taken by ZIC to provide service and to resolve complains to their clients in underwriting department was not affecting the performance of the company, because in most cases within 48 hours a client could be serviced and his or her complains resolved very excellently. While 25 (29%) of the respondents said that time taken to provide service and to resolve complains was affecting the performance of the company.

This was caused sometimes by a delay in issuing policy documents and delay of one to three weeks in sending renewal notes to their clients for renewing their policies which in turn caused the company to lose clients and underwriting premium. Sometimes intermediaries were not satisfied by the response of underwriting to some queries and provision of quotation of business on time.

Furthermore the study revealed that in a declining market, the end user of the insurance services determines the price the client is willing to pay. Brokers on the other hand, play a major role in the placement of an account. This may be based on genuine facts such as claims service; professionalism and financial strength exhibited by a particular underwriter. Whatever the reasoning, intermediaries are the key buying influences of the insuring public.

Hence to overcome these problems the company must measures average time taken for the serving reminders to the customers and average speed in assessing the accounts that have fallen over due etc., need to be observed and controlled to maintain quick processing of the policies and settlements. Necessary steps must be

taken for improvement. Average period of clearance of checks and other modes of payment will be maintained at minimum. Electronic data processing and Internet and e-mail facilities may be utilized for supplying reminders to the customers for renewing their policies. Repeated reminder may be supplied at a cheaper cost to the customers. Causes for poor performance are analyzed and remedial measures must be taken.

The study also, found that difficulties existed in assessing the customer's satisfaction in insurance contracts. Unlike commodities and other services, such as transport and banking insurance, customers do not consume the products or utilize the services at one point of time, rather they feel the satisfaction of assurance over a period of time, particularly when they give a thought about the risk they are exposed had they not insured. However, to some extent, customer satisfaction came from minimization of funds they had committed in insurance premium and possibility to maximize their benefits from a policy. Other facilities or services such as, easy installments, affordable premium were some of the means to make the customers satisfied. Any suffering due to delay in providing a financial compensation to the victims will create a negative image of the company among customers.

Data from Table 4.7 showed that out of 85 respondents 63 (74%) were satisfied with quality of services provided by underwriting department for example getting renewal notice on time, risk acceptance, documentation, cancellation of policy, affordable premium, claim settling on time and good customer care), while 22 (26%) of the respondents were not satisfied with services rendered by underwriting department.

This was caused by staff not sending policy document to their clients on time, hence underwriting department needs to improve the turn-around time for documentation. Policies should be designed to be user friendly. If possible, documents should be both in English and Swahili language to reflect the reality of Tanzanian Insurance consumers. Most clients do not read the documents because they were written in an alien language printed in small font as they are still today. Other respondents said that, the company must customize the policy documentation to reflect and accommodate the expectations of an ordinary client as majority of them had no legal knowledge to interpret the documents

Data from Table 4.7 revealed that out of 85 respondents 53 (62%) showed that, employees from ZIC were not negatively affecting the underwriting performance. While 32 (38%) of the respondents showed that underwriting staffs were affecting the underwriting performance. This effect was caused by lack of motivation to their employees, upward and downward communication, and failure to visit brokers, absence of training for employees, agencies and corporate clients. Furthermore the study noted that underwriter insured what came from intermediaries and from direct client without selecting risk which at the end caused loss to the company in terms of claims (no selection of risk to insure). Also the study noted that underwriter were underwriting without selecting purposely to meet their given target and budget.

As a result they increased expenses to the company in terms of claims, operating expenses and also reduced an income to the company in terms of premium. The findings were in line with Bakuza, (1998), who found that “in insurance selection

relates to grading of risk to determine their acceptance and applicable rates. It is synonymous to underwriting because to underwrite basically is to select risks for insurance purpose”.

For brokers and agency the study from Table 4.7 revealed that, out of 85 respondents 59 (69%) agreed that brokers and agency did not have negative influence on the underwriting performance. On the other hand, very few 26 (31%) of the respondents said that brokers and agencies influenced underwriting performance. This was due to lack of well representation of the company to their insured. Some brokers had few insurance professional staffs. On the other side information from the Intermediaries is sometimes insufficient and took long time to reach the underwriters. This in turn made the underwriting work to delay and difficult due to lack of full underwriting information.

Also brokers had a tendency to meet the demands of insured than those of the insurers and that is why sometimes they provide underwriting documents after the clients have got claims. The above findings support (wikipedia.org, December 15, 2008) which observed that, the Insurance broker represents buyer rather than insurance company and should find a best policy for buyer in comparison shopping. But the study is noted that lack of training to intermediaries is also a source of poor performance in insurance industry. Hence it is better if insurance company will make contribution for the aim of providing training to employees and agents.

Employee and agent training must be among the essential activities of the company to operate in a competitive and ever changing business environment. ZIC must

prepare budget at each branch containing necessary requirements for training. Effectiveness of such expenses on training and development of the employees and agents should separately be assessed to measure the readiness and ability of the branches to adapt the changes in the environment. The company must recruit employees based on their IQ levels rather than their field of education. Such recruitment must base on the philosophy that intelligent people can be trained and developed in the manner the company desires. Each branch will assesses the skills and expertise required for its proposed programs and operations and makes necessary arrangement for training their employees. Agents are to be appointed based on their ability to obtain customers. Each agent must be offered a commission on the business she/he brings to the company at a fixed rate. Agents should be allowed to continue with the company as long as they meet the targets set by the insurance offices. This often discourages many prospective insurance agents.

Agents will improve their performance over a period of time, when dealing with different individuals and institutions. Usually training is to be organized at departmental or company level from time to time, as it is economic to organize such programs centrally. Agents will be successfully promoted based on their performance of the company. This suggestion will help the company to improve performance.

#### **4.3.3.2 Variables Impacting Service Rendered of ZIC in Claim Department**

Data from Table 4.8 showed that, out of 90 respondents only 28 (31%) said that the operation of insurance company was done well by the Assessors and investigators;

while out of 90 respondents 62 (69%) were not satisfied with their performance. This is because assessors or investigators delayed claim reports to the management for decision making. Also respondents said that sometimes assessors or investigators came up with wrong reports which caused the company to repudiate claims which were not fair. To overcome this problems the management employed internal assessors.

**Table 4.8: Variables Impacting Claim Department**

Variables	Impacting		Not impacting	
	N=90	%	N=90	%
Assessor & Investigator	62	69	28	31
Insured	41	46	49	54
Underwriting	27	30	63	70
Brokers & agency	23	26	67	74
Management	18	20	72	80

**Source: Data from field study (2012)**

Where, N=Number of frequency

However after employing internal assessors the study realized that there was a delay in producing claim reports due to increased number of claims. The management noticed that increased infidelity by all stakeholders has caused significant increases in claims. In order to solve such problems the management was looking into the possibility of coming up with Motor service centre where all damaged vehicles will be towed after accident. Such centre will be managed by the motor assessment team



which will immediately provide quotations to customer's damaged vehicles. Garages will then be requested to tender repairing these vehicles based on the company quotations. The motor service centre will not only be responsible for damaged vehicles, but also provide pre-insurance inspection services.

The results from Table 4.8 showed that underwriting was affecting operation performance. Out of 90 respondents 27 (30%) agreed that this was caused by underwriting to underwrite everything which came on the desk without assessing the risk. This lead the company to underwrite fake claims, or property with high risk at low rate while business with low rate at high rate. Failure to visit intermediaries regularly and medium corporate clients to building good relationship with external customers and for promoting the company services aggravated the severity of the problem to the company. To reduce fake and other claims there is a need by the company to build team work and provide training to intermediaries which will help intermediaries to be aware with risk management.

Data from Table 4.8 revealed that, out of 90 respondents 23 (26%) showed that brokers and agency had negative effects on the operation of Zanzibar Insurance Corporation through delaying premium collected from the insured and late submission of insurance premium collected from insured after accident. According to TIRA regulation brokers were allowed to submit premium collected from insured within sixty days. Contrary to this brokers were delaying premium for more than four months. This led the company to suffer liquidity and solvency. See Table 4.4 which explains debtor's age analysis.

The result from Table 4.8 showed out 90 respondents 41 (46%) agreed that insured were affecting the operations of the claim department by 45%. This was the outcome of not paying premium on time While 54 (54%) of the respondents interviewed said that insured were not influencing the operational performance of the company.

#### **4.3.3.3 Variables Impacting Service Rendered of ZIC in Finance Department**

It was important to find out the variables impacting the performance of Zanzibar Insurance Corporation in finance department. Data from Table 4.9 revealed that out of 40 respondents 16 (40%) agreed that brokers, agency and insured were affecting the performance of finance department.

This was caused by intermediaries and insured not paying premium on time or paid premium after occurrence of accidents. This was also supported by the age analysis in Table 4.4. Table 4.4 showed that 40% of the outstanding premiums were over 90 days which affected the solvency ratio of the company by 23 %. According to TIRA regulation the all premium outstanding which are greater than 6 months were not reported as an asset to the company. Hence the study found that brokers and agencies were not settling premium collected from insured on time.

The liquidity ratio indicator measures the amount of available cash to meet the “short term” obligations of the company. This is calculated as follows:  $\text{Liquidity Ratio} = \frac{\text{Available Cash or Cash Equivalents}}{\text{Short-term Payables (3 months)}}$ . Hence Liquidity affected the ability of the company to meet short-term obligations of the

company. Data from Table 4.9 showed that out of 40 respondents interviewed 10 (25%) agreed that liquidity ratio affected the performance of finance department especially in paying claims, premium ceded in and outside the country, operating expenses and investment on time. While 30 (75%) of the respondents showed that liquidity did not affect the performance of finance department. However the company can use cash call to meet short-term obligation.

**Table 4.9: Variable Impacting Finance Department**

Variable	Impacting		Not impacting	
	N=40	%	N=40	%
Intermediaries and Insured	16	40	24	60
TIRA regulation	9	22	31	78
Liquidity	10	25	30	75
Solvency	10	25	30	75
Claim incurred	16	40	24	60

**Source: Data from field study (2012)**

Where, N=Number of frequency

Data from Table 4.9 further showed that out of 40 respondents 9 (22%) said that TIRA regulations are impacting the performance of finance department in several areas. According to insurance regulations no: 29 of 1996 made under section 139 “A broker shall pursuant to section 57 (2) of the Act, remit to the insurer all premium due to the insurer within sixty (60) days of the last day of the calendar month in which cover under the policy incepted or the date on which the policy is renewable or in which an endorsement was made”. This regulation gives brokers a loop hole to

delay remitting premium collected from the insured. Sometimes it takes over 6 months or over one year to remit premium. Also this situation was forced by the market to provide insurance service on credit. During the study, it was noted that 80% of insurance services in Tanzania were provided on credit the tendency which affected the performance of finance department at ZIC. The findings align with Skipper (1997), his study found that “a strong insurance sector promoted financial stability of firms and individuals and reduced the anxiety of experiencing unexpected losses or harms, by indemnifying policy holders if hardships occur.”

In addition, out of 40 respondents 16 (40%) from Table 4.9 said that claims did not affect the performance of finance department. Claims in any insurance company were used as advertisement. As much as claims were settled on time, underwriting premium and underwriting profit increased. Always insured preferred to insure in companies which pay claims on time. 24 (60%) of the respondents said that claims were affecting the performance of finance department due to increased company expenses. When the company had many claims its profit decreased or incurred big loss for that specific financial year.

The study also revealed that several market threats affected the bottom line performance of ZIC. As indicated by data from Tables 4.7, 4.8 and 4.9, clients had a tendency to shop around in order to get the best deal. However this was successful due to the undercutting of rates and underwriting principles that did not add value to the industry as a whole. Managers from ZIC agreed that, shortage of skilled manpower pushed most companies to rely on experienced employees who were but

not necessarily qualified for the work they performed. This blocked the penetration of new ideas into the industry. Service standards remained inconsistent throughout the insurance sector. This is ironic due to the fact that the insurance industry was highly driven by service delivery. The insurance industry in Tanzania needs to move together towards standardizing service delivery to promote a healthier competitive environment. Lack of public awareness caused many to question the integrity of the insurance industry as a whole, further coupled by the negative imprints left behind by the government monopoly before market liberalization.

#### **4.3.4 Awareness and Accessibility of Insurance services**

For awareness and accessibility of ZIC products, out of 90 respondents 40 (44%) said that clients or insured were aware of products provided by ZIC, and also the products were accessible due to presence of branches in different areas such as branches at Dar es Salaam, Mbeya, Arusha and others are found in Mwanza. and Dodoma.

Also insurance services can be obtained through any agencies, through insurance brokers and agencies at difference regions in Tanzania. Other insurance services were accessed by using telephones, internet, fax and postal mails. Although the respondents said that the insurance services were accessible, they advised the company to increase networks of insurance brokers and Agencies by providing more incentives to them. On the other side out of 90 respondents 50 (56%) said that ZIC products were not accessible and very few clients were aware of products provided by the company. The products were also known by few people and corporate clients

especially those who were living in Dar es Salaam, Arusha and Mwanza. Accessibility was decreasing because of the deteriorating attitude towards claims. The insurance penetration relative to the potential market seemed to be less than 1% for the entire insurance industry. This is an important area where the company should work very hard to intervene the situation.

The study further revealed that people had slight awareness with ZIC products, and the same products were not accessible for 64%. The reason probably was that these products were mostly accessible for people staying in the fast growing towns such as Dar es Salaam, Mbeya, Mwanza, Arusha and also through agencies only. Lack of technology in providing ZIC insurance services in Tanzania was mentioned also as another factor which affected the performance of the organization (ZIC).

#### **4.3.5 Technology Development and Technical Services**

The managers from Zanzibar Insurance Corporation said that during the financial year (2012) the company was planning to increase underwriting premium and product quality through using appropriate technology within the country and commercializing the proven technologies. Another area of improved technology includes good infrastructure of technology development and technical services. All Zanzibar Insurance Corporation branches were connected with both insurance and accounting system network. Promotion of Insurance agency in terms of training, technology acquisition, networking etc will be given priority.

The findings revealed that all 5 managers interviewed from ZIC said that the company had good relationship with agencies strategically to enhance this

relationship so that the organization could maximize the premium and retain the same relationship. Apart from agencies, the management also pursued relationships with other banks provided that relationship with agencies is not disturbed.

#### **4.3.6 Growth of Insurance Business**

Growth of insurance business was one of the factors that helped to determine the performance of the insurance services which were rendered by the company. Insurance business growths were measured in terms of qualitative and quantitative factors. The study revealed that Zanzibar Insurance Corporation getting business from insurance brokers, Insurance agency, direct clients and reinsures. The continued growth of an insurance organization relied on its products and therefore the company was investing in this area to ensure that, the products remain competitive. The company introduced COMPREHENSIVE Motor product with the following benefits compared to other insurance companies in industry.

COMPREHENSIVE cover has been specifically designed to meet the insurance needs of ZIC clients with at least two vehicles they enjoyed fleet discount. It provides among other benefits, flexible premium payment plan which is primarily available to COMPREHENSIVE cover alone, premiums is being paid either: half yearly (with 50% of annual premium), or annual with (100%). All five managers interviewed said that “It must be noted that the cover afforded was “true” **cover** therefore there is a deduction of premium from the claim of the an unexpired portion of the annual period if claim will be during the existence of a policy. Furthermore the study revealed that ZIC products and underwriting premium level decreased from

TZS 8,368,6,438 gross premiums for year 2009 to 8,141,732,592 gross premium for the year 2010 while claims decreased to TZS 4,100,481,533 in the year 2010 compare to 6,093,688,802 paid in the year 2009 however the sales level remained stable. (Source: ZIC annual report, 2010).

#### **4.4 Challenges Facing ZIC in Maximizing Delivering of Services in Sustainable Manner**

Insurance is supposed to exist to ensure the survival of industry and commerce as well as other sectors of the economy. But there are a lot of contemporary challenges facing the Industry that the survival of insurance itself is threatened. The challenges we have to deal with are grouped into: legal, moral, millennium products and global financial and self-inflicted threats. The respondents mentioned the following as challenges that were facing Zanzibar Insurance Corporation in the process of providing insurance services to the society.

##### **4.4.1 Lack of Enough Qualified Professionals in Insurance Industry**

The study revealed that, one of the major challenges facing Zanzibar Insurance Corporation was shortage of skilled personnel and the problem was compounded by the brain drain to Insurance industry in Tanzania. Adequate skills base is essential because complex structures and systems must be created at ZIC to enable them compete favorably with others in Tanzania. Staff would require complex leadership and managerial skills to drive the company. The study found that technical skills required include actuarial, loss adjusting, risk management, underwriting skills and information technology skills to handle the ZIC itself and to assist clients. The study



advice ZIC to develop its skills continuously, budgeting for it and participating in cooperation and technical assistance programmes with other stakeholders in insurance industry in Tanzania.

Intra-regional and international exchange of managerial staff can also be used as a means to enhance management skills and competence. The study noted that Zanzibar Insurance Corporation Company had seven offices in Tanzania only. Hence to overcome this respondents interviewed agreed that skills should imported and export to those without. Interactions between companies Tanzania, Kenya, Uganda Rwanda, Malawi etc must be intensified in order for insurance companies to benefit from the skills and knowledge of other players. This can be achieved through the organization of workshops and seminars on insurance matters. Business sharing (sharing risk) with other insurance companies must be increased in Tanzania leather that fronting outside of the country for establishment of strong networks. The company must be run by highly skilled personnel who are educated on all talents of good leadership and in best practices.

Also insurance industry in Tanzania should establish Centre of Insurance education as an independent centre of Insurance Excellence. About infrastructure it is time the industry to put and invest money in such projects to develop skills for the industry, and this will prove that they add value to the industry. There must be educational scholarships locally and regionally to benefit insurance companies in Tanzania. Training insurance professionals in Tanzania, there is a need to develop homegrown talent to staff the private sector, the public sector and the insurance regulators. Given

the technical nature of the insurance sector in terms of calculating premiums, rate setting, underwriting etc. and given the fact that these components get more complex within specific sub-sectors, in specialized areas (like actuarial services, accountants, brokers/agents) and newly emerging areas training is essential. This could be achieved by setting up specialized schools for the training of insurance professionals, through the exchange of insurance professionals within the private sector domestically and internationally.

#### **4.4.2 Following up with the Government Sector-Wide Proposals to Review the Law/Regulations and Introduce The ‘Cash & Carry’ System in Selling of Insurance Products in the Market**

Insurance industry regulation is necessary to ensure that companies are financially solvent, and can act as a catalyst for attracting inflows of capital and business. The intensity of industry regulation often has a direct relationship with the perceived risk of insolvency of insurance companies in a particular market. Government must ensure there is stability in the insurance market in order to protect investors and policyholders. That should be done through establishment of strong supervisory authority, which handles issues such as licensing, capital adequacy corporate governance and human resources development. The supervisory authority should have both capital and human resources to do the job, because insurance industry in Tanzania without the right levels of regulation is likely to fail in the globalized environment. Tanzania Insurance regulatory Authority (TIRA) should ensure that, companies adhere to all the tenets of good corporate governance as a basis of operations and doing business. The industry will enjoy the confidence of investors

and policyholders, who would like to do business with the insurance industry in the respective areas in Tanzania and Tanzania as a whole. It is a challenge therefore for the insurance Industry in Tanzania to motivate and preserve a strong regulatory framework in Tanzania.

The study revealed that TIRA regulation gave brokers a room of selling insurance services on credit, which at the end affects the performance of insurance industry (e.g. settling claims on times, solvency margin and liquidity). Collection of premium was very hard task to whole intermediaries and insurers in insurance industry. The study also found some brokers employed credit Collection Company for collection of premium, which increased cost to the company.

The insurance regulations no.29 of 1996 made under section 139 stipulate that “A broker shall pursuant to section 57 (2) of the Act, remit to the insurer all premium due to the insurer within sixty (60) days of the last day of the calendar month in which cover under the policy incepted or the date on which the policy is renewable or in which an endorsement was made”. The study revealed that, this section gave brokers a loophole to provide insurance services on credit and also brokers used this section to delay to remit premium collected from insured on time. Hence it is a time for commission of insurance in Tanzania to change regulation which will allow insurance services to be provided on cash basis. The study found that in Kenya according to Section 156, subsection (2) of the Insurance Act CAP 487 had been amended and now provides that no insurer shall assume a risk in Kenya in respect of motor and fire insurance business unless and until the premium payable thereon is

received by him. This amendment is contained in the Insurance (Amendment) Act 2006 and came into effect on 9<sup>th</sup> March, 2007 vide legal notice No. 11 of 2006. The insurance public in Kenya was notified that premiums for motor and fire insurance business should, henceforth be payable in advance.

Zanzibar Insurance Corporation has taken the following measure to reduce this situation of intermediaries to sell insurance services on credit and delaying in remitting premiums as follows: No claims were settled if insurance premiums are not remitted by brokers or insured, by sending remind notes and monthly statements to brokers for reminding them to settle premium outstanding. Hence the study revealed that, this insurance market caused failure by one insurer in the market to maintain minimum required solvency margin and impend its ability to meet various financial obligations including payment of claims.

#### **4.4.3 Infrastructures System was not so Well-Organized as a Result only Few Places Got Privilege of Receiving the Services**

The study found that ZIC performance in insurance business relied mostly in Dar es Salaam regional, but some area lack proper infrastructure, this often militates against the effective operation of ZIC in Tanzania. Distance, travel problems, and general underdeveloped Communication infrastructure in some areas made business interactions difficult. The study suggested that there is need for the respective Tanzania government to invest in infrastructure development so as to facilitate the interchange of ideas and business amongst the various geographical regions. The insurance industry still has a role in infrastructure development by communicating with governments, create and make available investable funds in the sector.

While talking about physical infrastructure, the insurance industry in Tanzania should set up its own platform to strategize on issues of mutual interest. According to TIRA the total number of insurance companies registered under insurance Act, as at 31<sup>st</sup> December 2010 stood at 27. While many business going outside of the country increased every year due to lack of enough capital and retention (e.g. for ZIC retention was 50% only) which was not benefit indigenous insurer and local reinsurers. The study noted that this had not been achieved as external traditional reinsurers benefit more and reinsurance business going out of Tanzania increased. For other business the study revealed that ZIC was earning only service fee which was 5% only, the rest business were fronted outside of the country. To overcome this challenge the government should be audits in respective markets in Tanzania to assess whether there is significant improvement in retention levels, and this could be done by the Commissioner of Insurance.

#### **4.4.4 Lack of Enough Technological Advancement**

There is heightened awareness that ICT is a major business in itself and driver of economic development. Sadly, Tanzania had not made sufficient investments in ICT and the training of its people to match the challenges of technological advancement. The insurance industry in Tanzania relied on wholesale importation of hardware and software from outside the country, and few markets were made deliberated move to at least assembly servers and developed both operating and business solutions. The upfront and maintenance costs of these systems were very high compared to the business serviced, and the burden was worsened by the depreciation of domestic currencies.

The insurance industry in Tanzania should take it as its responsibility to lead in the respective markets and the country as a whole for serious investments to be made in Information and Communication Technology. ICT is high investment and pooling its development and processes could create savings and common data bases, which would be useful in the exchange of insurance business.

Technology has the power to be a great enabler in business process. It can also transform ZIC ability to assess risk. The study revealed that all 20 (100%) respondents interviewed agreed that technology was very important to use like e-mail and cell phones which reduced the cost and time involved in dealing with clients and collection premiums. Also majority agreed that e-mail and cell phones had met an unfilled need and, of course, that they were appropriate, affordable and accessible. The study found that ZIC used Sirius system for underwriting, processing of claims and for accounting purposes. But Sirius system had the following weakness: Sirius was taking most of IT time and Interfered the time to handle other tasks. The company recommended sharing of problems within the individual departments before ICT; Managers to support their subordinates, Smart rules & responsibilities for each department for the aim of solving Sirius system problem. Furthermore respondents said that insurance industry had no network which can help them to share information e.g. the standard rate of premium, fake claims and insurance control system.

The study concluded as follows: In this millennium, characterized by global village concept facilitated by ICT and internet, and constant change, the expectations and

demand of consumers of insurance products and other financial services are becoming more sophisticated, so that what was yesterday novel and of highest standard and quality today becomes ordinary and outdated. The primary challenge Zanzibar Insurance Corporation now face and will continue to face is fashioning, designing and milling out contemporarily realistic and consumer-friendly insurance products and financial services which will meet and, if possible, exceed the expectations of global markets.

This demands being imaginative, innovative and constantly researching Tanzania market environment. The secondary challenge is the way ZIC draft contract terms to ensure always that there is complete agreement of the minds of the insurer, the insured and sometime other third parties who may by quasi-contract, assignment or operation of law, have cause to benefit from the proceeds of the contract. This is perhaps one area where the issues of law, moral and ethic come to play.

#### **4.4.5 Users' Have Low/Lacks of Technical Insurance know How**

The study revealed that a common perception about insurance in Tanzania is that carriers generally fail to honor policy contracts when insured losses occur, and in most cases resort to fine prints embedded in these insurance contracts to either deny claims or substantially reduce claim payments. Such is the refrain heard not only among insurance policyholders and customers but with alarming regularity from the general public, thus resulting in the adverse and low penetration rate of insurance products and services in most insurance companies in Tanzania. The study found that ZIC clients lacked adequate understanding of the insurance contract, its terms and

conditions, limitations, coverage's, exclusions and deductibles including the legal and regulatory framework.

Since the marketing of insurance products required a thorough understood of the domestic market, including consumers' lifestyles and consumption patterns. Acquiring such knowledge requires partnerships with local firms in developing ZIC. On other way side, public awareness enhancing consumer information as to insurers' prices, products and financial strength is essential to a well performing market, especially regarding to small value customers in areas like non-life insurance. Need for exchange of information and views between all stakeholders. This could include the private sector, supervisors, professional insurance and consumers.

General developing countries' markets depend extensively (technically and financially) on international services. Reasons for this include (among others) structural, financial and technical constraints, including the small size of markets, under-capitalization of insurance companies, and insufficient experience and know-how.

Usually insurance industries there also have a shortage of skilled personnel. There is also a dependence on foreign re-insurance, which has implications for the contribution of the insurance industry to national development, in particular with respect to savings promotion and mobilization. Given that these constraints can significantly affect the shortage of insurance services, more research needs to be done on the supply side (including analyzing the managerial issues) and on the



nature of appropriate regulatory frameworks. Prioritizing the strengthening of human capital is an important source of comparative advantage for insurance services and their export.

#### **4.4.6 Global Financial Crisis**

The study revealed that all 20 (100%) respondents agreed that, insurance companies had been generally less affected by global financial crisis than banks, at least in the short term. One possible reason for this was that insurers, presumably based on the fundamental business model, were not affected in the same way by liquidity risks as other financial institution like banks. Insurance companies were effectively pool funded by a relative stable flow of premium and general didn't relied on short term market funding as bank do, and there for were not subjected to the kind of liquidity risk affected bank. A second possible reason was that, following equity market down turn earlier this decade, the insurance industry appeared to rediscover the crucial role of asset liability management and necessity maintained a strong focus on well diversified investment portfolios.

Analysts of trends in the global insurance industry were however in agreement that as the result the global financial crises new construction and infrastructure projects dried up and ongoing projects delayed more or less global due to inadequate cash injection in the market. Banks were not released installment to firms even on limits which were agreed prior to global crisis. The study found that global financial crisis had impacted on the some class of business at Zanzibar Insurance Corporation. Inquiries for CAR (contractor all risks), machinery breakdown and equipment

insurance have almost dried up in the last few years. Construction, infrastructure projects by government and energy project by private as well as government shelved or delayed and ZIC was lived without large premiums from the project insurance for some time.

There was also consensus amongst insurance industry stakeholder on the observation that continued recession should have impact on property class of business too. Conceivably, reactive cost-cutting in the corporate sector reduced expenditure at ZIC. The study also revealed that felled market prices of property could further bring down the premium volume on property insurance, further more due to business interruption also dropped down to reduced profit forecasts at ZIC. Managers at ZIC said that with significant diminished investment portfolios, it was feasible that unit-linked insurance policies and other investment backed insurance products showed negative net asset value and consumer confidence shown further negative. Policy holders were requested cancellation of their policies in order to preserve cash in moment of crisis.

The retail insurance sector had similar problems. Low consumer confidence and stringent lending norms for retail customers by banks were reduced demand for products and services. Automobile companies were struggling to keep afloat due to negative sales growth, and outright closures reported in the US and in Europe. This directly affected motor insurance premium. Declined international trade and consequent reduction in export and import had resulted in reduced insurance marine cargo and marine hull insurance business, and premium income dropped

substantially. More ominous noted as a result of the unfolding global financial crisis and the economic down –turn. Zanzibar Insurance Corporation was likely to see multiple bad moral hazard cases as depressed market conditions lead to payment defaults and corporate frauds. Such situation stimulated claims on losses, business interruption losses and losses arising out of directors and officers liability litigation.

#### **4.4.7 Construction of Marketable and Ethical Policies**

On construction of marketable and ethical policies, all 30 (100%) respondents agreed that, their various markets had conducted product surveys in order to determine satisfaction gaps among consumer of insurance. Reviewing company policies was also highlighted by respondents as one of the area to be worked up on. The untidy and ambiguous construction of the ZIC policies led to litigation during the time of claims. The development of insurance industry in Tanzania should start with designing of realistic products can meet the needs of the inhabitants and consumers. For micro-insurance the study suggested that one or two page policies with simple wordings that would be understood by all stakeholders were to be produced. All relevant information, material and receipts for example for assessing risk should be obtained at inception (at the time of underwriting and, not at time of loss or claims) Anti-fraud measures should be built into insurance contracts from the beginning so that claims processing should be made friendlier.

#### **4.5 Strategies to Enhance Performance of ZIC**

Insurance companies in Tanzania must set up strategies which can help to improve performance and service standard to the level of international. The study was

conducted to investigate strategies which could enhance the performance of ZIC. This section is divided into three parts which include; Strategy in operation, Business growth strategy and retention and earning capacity Strategy. The aim was to determine strategies which could help the company to improve the performance and achieve its goals.

#### **4.5.1 Strategy in Operations**

This section was divided into four parts including, Strategy in underwriting, Strategy in claim services, Strategy in claim management and Strategy in services delivery by ZIC. These findings aimed at determining strategies which were taken by ZIC to improve their operation for the aim of improving performance in this industry.

##### **4.5.1.1 Strategy in Underwriting Operation**

The study interviewed 15 managers from ZIC, and from intermediaries to investigate measures which were taken by underwriting managers to improve quality of services. Study revealed that three measures set to achieve strategies in underwriting” were to improve workflow management, improve intermediary relationships and risk management which are described below.

##### **(i) Improving workflow management**

The results from Table 4.12 showed that out of 15 respondents interviewed 11 (73%) agreed the strategies of improving work flow management by including compilation and use of underwriting manual, random checks on outgoing mail, random checks on mail status, set intra-departmental targets on mail and renewals, prioritize key resource areas and regularly assess performance, diarize and follow up on quotations.

All these were to improve communication from the top management to the lower management and vice versa. On the other side out of 15 respondents 4 (27%) did not agree with this strategy, but suggested that the company must change the culture of increasing the rate of commission payable to intermediaries as motivation.

**(ii) Improve intermediary relationships**

Data from Table 4.12 showed that all 15 (100%) respondents interviewed agreed with this strategy which could be achieved through regular visits to brokers and re-insurers (at least once monthly), delivery of major new policies to brokers, assist in speedy settlement of claims, addressing credit control issues, and giving intermediaries' queries first promptly.

**Table 4.10: Strategies for Enhancing Underwriting**

Strategies	Agreed		Disagreed	
	N=15	%	N=15	%
Improve of workflow management	11	73	4	27
Improve intermediary relationships	15	100	0	0
Risk management	15	100	0	0

**Source: Data from field study (2012)**

**(iii) Risk management**

Data from Table 4.12 revealed that all 15 (100%) respondents interviewed agreed with the risk management strategy of the company which include surveys of clients on the corporation assist clients valuation. The company undertake risk assessment

to know if it is insurable or not, and if the particular risk is insurable according to the standard of the company. Also the respondents suggested that the company should train its staffs in risk management to improve quality of services and to reduce fake claims.

#### **4.5.1.2 Strategy in Claims Service and Management**

All five managers who were interviewed from ZIC said that in order to achieve claims services strategy the company had to provide the claims service in the market beyond others, come up with cost saving initiatives, claims purification, and review of the assessor's list and come up with service standards which were described as shown below:

##### **(i) Proving claims services beyond others in the market**

Claim registration and acknowledgement to be done within 3 days from date of receipt, claim payment (requisition, authorization, signing, cheque preparation and dispatch) to be done in 3 days, diary to be maintained after every 2 weeks maximum, general mail to be worked on within 5 working days, assessors to be appointed within 24 hrs, and encourage brokers to submit or obtain quotations in time and avoid increase in costs.

##### **(ii) Claims Purification**

The study found that purification should be done every quarter and reported after completion to check on effects, a monthly review of outstanding claims per broker and discussion about outstanding issues with the brokers.

**(iii) Review of the assessor's list to come up with service standards**

The present study found that the company should have competitive assessors on list, assessor must acknowledge receipt of claim advising that they have contacted the insured within 3 days of receiving claim, assessor to submit an interim report within 10 days, and final report must come with agreement of loss duly signed where a claim is payable.

**(iv) Strategy in claims management**

All five managers interviewed from ZIC said that increased infidelity by all stakeholders caused significant increases in claims. Management was looking for the possibility of coming up with “motor service” centre where all damaged vehicles were to be towed after accidents. The center was planned to be managed by the motor assessment team while garages were requested to tender repairing those vehicles based on the company quotations.

**4.5.1.3 Strategy in Service Delivery by ZIC**

The aim of this section was to investigate if the strategies of the company were going to overcome the problems which faced by the company as outlined in research objective number one.

**(i) Distinctive-image strategy**

The study revealed that all five managers interviewed said that based on the study of the market, the industry was characterized by lack of innovation and attention to service quality. The company's strategy was therefore not to compete with established companies on the basis of price but on differentiating its service delivery

quality from those of its competitors. The most crucial area identified was shortening the processing time for claims which was more popular with brokers and direct clients. A Service standard needed constant reviews and monitoring. According to this strategy the company could be solved the delaying issue to process claims and improving quality of services.

### **(ii) Service standards**

All five managers interviewed said that on the side of service standard, the company strategies put in place to achieve service standard were enforcement of underwriting departments to meet all set service standards including quality of services which were provided by the company, enforcement of code of conduct, timely response to feed back from queries, conducting branches meetings every month with their minutes sent to the Managing Director, preparation e-mailed as agreed, to raising of claims service to intermediaries and policyholders through the use of competent assessors.

Engaging competent staff and developing a continuous self-development training programme, implementing the productivity performance programme together with reviewing the performance appraisal system were also strategies introduced to achieve quality service standards.

### **(iii) Customer relationship management**

All five managers who were interviewed said that the company has long term strategies of establishing continuous nurturing of good relations with brokers, direct



clients and other intermediaries who shall be pursued through visitations and entertainment. Furthermore the respondents said that the corporation already planned to provide commission for those who are given potential business.

#### **(v) Internal Corporate Culture**

The study revealed that the management agreed that ,“Training was the key to instill a strong corporate culture which required the management to come up with a training calendar that which could take into consideration different training needs for the staff. The same findings were revealed in Zeithaml et al., (1990) who found that the quality of services must include the, Tangibles – The appearance of physical facilities, equipment, personnel and communication materials. Reliability - The ability to perform the promised service dependably and accurately. Responsiveness - The willingness to help customers and provide prompt service. Assurance – The knowledge, competence, and courtesy of service employees and their ability to convey trust and confidence. Empathy - The caring individualized attention provided to customers.

#### **4.5.2 Business Performance**

According to ZIC Annual Report during the year 2010 the Corporation collected the gross premium of TZS. 8,141,732,592/= compared to TZS. 8,368,526,438/= collected in the year 2009. Almost 85% of the collection is from leading class of Motor business. The claim paid amounted to TZS. 4,100,481,533/= in the year 2010 compared to TZS. 6,093,688,802/= paid in the year 2009.

#### 4.5.2.1 Introduction of Monthly Renewable Policies

**Table 4.11: Strategies for Enhancing Business Growth**

Strategies	Agreed		Disagreed	
	N=20	%	N=20	%
Renewal policies	18	90	2	10
Increase of distribution channel	14	70	6	30
Strategies in new products	20	100	0	0
Promotion	20	100	0	0

**Source: Data from field study (2012)**

The results from Table 4.11 revealed that, out of 20 respondents interviewed 18 (90%) agreed that, monthly renewable policies plan strategy to be provided by ZIC's customers with an opportunity to spread the premiums over a period of 12 months rather than paying a lump sum. The plan was meant to meet a full range of the public personal insurance needs on monthly basis. Primarily the plan was designed to be available for SME products (Business protection policies), home Combined policy, motor combined and COMPREHENSIVE Motor.

Also the respondents supported the management to establish strategy for collecting premium either by stop order or a debit order against a bank account and a debit order against the individual's salary account. In all cases, these orders were for Zanzibar Insurance Corporation credit and not for the intermediaries. On the other side 2 (10%) of the respondents did not agreed with the strategy because it was characterized by increased operating expenses and chances of getting insurance services on credit.

#### **4.5.2.2 Increase in Distribution Channels**

Data from Table 4.11 revealed that out of 20 respondents 14 (70%) agreed that the management had faith with the company traditional suppliers of business; however the company had to identify and develop new customer segments. This intended not only to foster ZIC grow faster, but also to ensure that ZIC could enjoy adequate market share.

This strategy could be achieved through increased distribution channels while 6 (30%) of the respondents did not agree with the increased distribution of channel as a means to faster growth of the company. Respondents suggested that the company would grow faster by increased speed of paying claims on time and improve quality of services.

The study also found that the, Company had several fully-fledged branches in Arusha, Mwanza, Mbeya, Dar es Salaam and Dodoma also agents in many regions of Tanzania in order to enabled ZIC clients to easily access the company services. The study advised the company to establish more service centers in the fast growing regions such as Mlimani City, Morogoro and Tanga for increasing awareness and accessibility of ZIC service.

#### **4.5.2.3 Strategies in New Products**

Data from Table 4.11 revealed that all 20 (100%) respondents accepted the vacant niche strategy. The respondents said that strategy had to differentiate ZIC from other market players who were pursuing traditional markets. According to this strategy

ZIC was advised to include potential policyholders who were left out by the market leaders. These included most of the companies within the Small to Medium categories which showed significant growth prospects.

Also the study revealed that the company had a strategy for product development. All 20 (100%) respondents said that the strategy showed that continued growth of the organization relied on the quality of products. For that reason the company must invest in this area to ensure that the products had to remain competitive.

#### **4.5.2.4 Promotion**

Promotion is a specialist area which needs guidance from the professionals who work hand in hand with the management to promote ZIC Insurance. Promotion forms a very important integral part of marketing strategy. ZIC should be crafted in such a way that it brings the desired results at low costs. ZIC's market share remained very low and to make a difference the management should be seriously to consider promotion in order to create and maintaining positive brand presence, increase market share, generate interest and awareness by the public so as to increase income.

The results from Table 4.11 revealed all 5 (100%) managers interviewed said that the company short listed some agencies who could be interviewed by the marketing personnel for the purpose to enter into a contract. The determination of the media to be used could however be at the discretion of the marketing committee and various methods considered.

### **4.5.3 Strategy in Retention and Earning Capacity**

The study revealed that, the quality and level of the business retained had strong advantages' on the profitability of insurance business. Very low ratio of reinsurances, claims and operating expenses were crucial for the profitability of the business. A lower retention rate coupled with high claims and expense ratio meant that the company had to generate huge volumes of revenue in order to breakeven.

The study found that the company retention was 50% which is very low. But the management was confident that high retention would contribute most to the profitability of the company. The management further said that, the company's retention (50%) was to be revisited to retention of 60% in the future. Targeting high volume and high retention business (medium to large businesses).

Pre renewal or inception risk surveys and valuations, target high retention classes of business, target products with high premium earning capacity (e.g. Fire, Marine, Contractor all risk, Bonds etc.), and reinsurance placement favouring high commission earning treaties were some of the strategies which were established to achieve the target above.

## **CHAPTER FIVE**

### **5.0 CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The overall objective of the study was to examine factors influencing performance of the insurance industry in Tanzania. A case of study was Zanzibar Insurance Corporation and mainly focused on Insured, Non – insured, intermediaries and Insurer from Zanzibar Insurance Corporation (ZIC). The specific objectives of the study were to determine mode of operation and services rendered by ZIC, variables impacting ZIC performance and challenges facing ZIC in maximizing delivering of services in sustainable manner, strategies that will enhance ZIC performance.

#### **5.2 Summary of the Main Findings**

The study was not satisfied by the company risk management because the company had a tendency of insuring some risk without assessment, to insure the risk which was not in the required standard or not insurable. These entire problems were caused by underwriters sometimes to underwrite everything which came on the desk to meet the given budget and also due to lack of enough knowledge about risk management, Sending renewal notice to insured beyond time or not sending them completely.

For operation of claim department was doing well in notification of claims, approval of existed cover, registration of claim and confirmation of premium if paid. Appointment of assessor was excellently done within 48 hrs, but the problem was to get assessor's report or even though the report could be received on time still

discharge voucher (DV) was delayed up to an average of 6 weeks. The study noted that delay in getting investigator report was extended to more than one month while management decision took more than three weeks to review investigator report. Poor quality of assessor or investigator report was caused by the company sometimes to appoint unqualified assessors or investigators. Delay in processing of claim was caused by insured to delay submission of required information on time.

The study revealed that accessibility and awareness to the insurance services provided by ZIC was not so difficult. Most intermediaries and insured were able to obtain and utilize the services. However ZIC insurance services were not accessible to direct client except those who were near ZIC branches agencies allocated in different regions in the country. For growth of business, the company was growing very slowly due to lack of good marketing environment for instance, promotion and visiting of intermediaries and medium corporate clients. Also the study revealed that the rates which charged by ZIC were reasonable.

### **5.2.1 Variables Impacting Performance of the ZIC**

The findings showed that brokers and agencies contributed a big amount of underwriting premium at ZIC despite their tendency of delaying premium after accidents or not paying at all brokers and agencies. The study noted that delaying to pay premium on time by intermediaries was caused by the nature of the insurance market in Tanzania to provide insurance services on credit. Hence it seemed that ZIC performance was affected by failure of insured to pay premium on time, report fake claims and lack of enough knowledge on insurance services.

The study noted that, good communication and open systems in decision making from high levels were important for the performance of the company. In addition, lack of human resources department, participation of employee in preparing the company plan and budgeting to develop team work and motivation of employees in terms of financial motivation, semi financial motivation and non-financial motivation had negative impacts to the company.

### **5.2.2 Challenges Facing ZIC in Maximizing Delivering of Services in Sustainable Manner**

The company was faced with the following challenges: Construction of marketable policies, following up with the Government sector-wide proposals to review the Law/regulations and introduce the ‘cash & carry’ system in selling of insurance products in the market, lack of facilities in the country for training professionals in the fields that have direct bearing to the development of the insurance industry, lack of enough technological advanced, infrastructures system is not so well organized as a result only few places get privilege of receiving the insurance services, global financial crisis, users’ had low/lacks of technical insurance know how.

### **5.2.3 Strategies that will Enhance Performance of ZIC**

To achieve the retention of 50% which was revisited so as to be raised to 80% by 2009, the company had placed strategies such pre renewal or inception risk surveys and valuations, target high retention classes of business, target products with high premium earning capacity for example fire, marine, short term bonds, reinsurance placement which favor high commission earning treaties (for example proportional).



The management said that business growth strategy grew by at least 40% in the year 2009 in line with the company's co-strategy of attaining 10% market share in 2011. It was therefore important for ZIC to adopt a strategy to build its own competitive advantage. Marketing monthly renewable policies, increase in distribution channels, strengthening Agencies relationship, new strategies products, strategic alliances promotion could help the implementation of this strategy.

For operation the company was targeting to put strategies in the services' delivery by ZIC, in underwriting, claim services and in claim departments. The management noted that increased infidelity by all stakeholders due to significant increases in claims. The management was looking for the possibility of coming up with "MOTOR SERVICE" centre where all damaged vehicles could be towed. The motor service centre was expected not only for damaged vehicles but also to provide pre-insurance inspection services. Garages were requested to tender repairing the vehicles based on the company quotations.

It is thus concluded that Insurance services are very important in several aspects for example increasing capital within companies (that can be used in the business, enterprises are encouraged to open other branches and sales offices expanding business in profitable manner), employees are kept in work, losses are reduced in size and number, the nation benefits from investments made by insurers, the national benefits from so-called invisible exports, reducing fear of the future, encouraging confidence to undertake new ventures, assisting people to save, investment, reducing demands on social services. Therefore insurance companies, intermediaries, insured

and TIRA should consider the above mentioned factors which influence insurance industry in Tanzania for the benefit of the country rather than emphasizing in profit. Otherwise insurance industry will fail in future to perform well.

### **5.3 Conclusions**

The study revealed that insurance services provided by Zanzibar Insurance Corporation (ZIC) such as timely settling of claim, increase of retention and earning capacity, risk management and improvement of intermediaries' relation together with the company strategies to increase quality of services had positive contribution towards the company performance. The main conclusions which were drawn from the presentation and discussion of findings are:

### **5.4 Recommendations**

Based on the major presentation and discussion of findings, conclusion and literatures, the following are recommended.

ZIC should properly identify, select and screen potential clients and intermediaries in order to discriminate them from others and taking incentive measures in favour of them such as providing insurance training, motivation, reducing time of processing claims and give them a reasonable rate of premium. This will not only encourage the potential customers but also will be a challenge to bad customers.

Policy documents should be user friendly and possible documents should printed in English and Swahili language because most clients do not read the documents as they are right now because they are written in an alien language besides containing

too much small print. This will be useful even for those clients who are not conversant with English language.

The company must customize the policy documentation to reflect the expectations of an ordinary lay person. Most of clients are not lawyers so the documents should be aligned with the demographics of the intended consumers. The Company should increase distribution channels, promotion, creating good working environment for employees, creating good marketing environment, retaining earning and earning capacity in order to improve growth of premium and underwriting profit.

The industry requires a massive infusion of investment in the area of awareness and the value of insurance. This is not a task for anyone company to pursue but a task requiring co-operation between all stakeholders including the government. The insurance companies on the other hand need to put more focus on customer satisfaction than maximization of shareholders value. On strategies which will help ZIC to maximize underwriting premium and settling claim in short time than other insurance companies. For starters, ZIC should make itself the underwriter of choice by everyone. As a result of this, the company will be in a position to cherry-pick the best quality risks while politely refusing to book any that doesn't fit the expectation. When an underwriter enjoys the position, it can easily charge any rate of premium and customers will still pay instead of running off to competitors.

For Zanzibar Insurance Corporation to build future success on the simple premise of dealing with claims with minimum fuss. If a claim is reported today and ZIC have

facts indicating it is a payable claim, then pay it today and be fair in doing so! This should be the primary objective of the company. The rest of the activities must be adopted to support this objective.

The company must ensure that claims are settled fairly and quickly in accordance with the Company's contracts and standards while at the same time ensuring that the Company's financial interest is protected in as far as cost control, fraud detection and avoidance of claims leakage are concerned. Due to the nature of modern business today, time play a significant role in making the business successful. Always the Stakeholder is required to consider the competitive factors like cost, quality, price and dependability. Therefore, the insurance companies should decrease bureaucracy in providing insurance services.

The TIRA should change the regulations of intermediaries to remit premium collected from insured within 7 days so as to enhance insurance companies to provide insurance services on cash basis. ZIC had number of employee motivational packages but there was no written policy toward employee motivation, therefore, the corporation needs to specify their motivational packages in written form. The company should state the objective of such package and criteria to obtain such motivational packages. The packages should be clearly defined so that each employee could know the intention of such package.

Although ZIC considered their salary increment is enough, is not true, employees had seen not competitive compare to other Tanzanian corporations. According to the comments of respondents, money was ranked as the best important motivational

factor. Therefore the company could use money (such as sufficient loans) as their best motivator. Although this cannot be the sole motivator, failure to use money might decrease the employee performance.

Management by objectives should be used. This is a phrase used to describe a style of management which attempt to relate organizational goal to individual performance and development through the involvement of all level of management. Implementing the above recommendations can improve the effectiveness and efficiency of insurance industry to attain their objectives on the performance of insured, insurer and intermediaries in Tanzania and hence attaining their sustainability.

### **5.5 Implication of the Research findings**

The weakness of risk management, particularly, in underwriting department entail the shortage of risk expatriates who could well appraise and establish the likelihood of happening the event with utmost expectation. Intensity of competition in insurance industry necessitate the underwriter accepting whatever the level risk that come at the counter. Moreover, there is leeway that make the underwriter not fully disclosed all material facts by the insured which induce them to inceptiate.

Initially, claim notification is dealt very well due to highly apprehensive nature of insured that provide a convenience means of processing the claim, collectively with claim staff ensure the effectiveness in service delivery as finding indicate high customer satisfaction. Also, it implies that the staffs have well organized and deliver

the service promptly. Unlike in subsequent stage that indicates delay in receiving assessors report which most of the time is deemed as poor, probably because there is short supplier of manpower with relevant knowledge and shortage of facilities to finish exercise within a reasonable time frame.

Furthermore, the assessor relationship with insured might be not good and detrimental to assessing assignment due to ambiguous information from insured. The management delay in issuing discharge voucher implies that the task is very sophisticated and cumbersome as it involves high degree of professional judgment and vast experience due to nature of the decision. Any mess in this stage could account for greater loss of finance, hence forth the delay in decision making in this stage is due to the nature of circumstance in question.

Last but not least, the service accessibility and awareness is very good due to durable relationship between Z.I.C and several intermediaries. It connote that, the company is closely working with intermediaries rather than itself, implying the indirect business model, the repercussion is that any conflict of interest between company and intermediaries could drastically reduce the volume of business, therefore, the company should attach its self especially to corporate client directly even via intermediaries. The poor marketing and promotion conducts implies lack of resources or company attitude in marketing investment. The durable relationship between intermediaries and Z.I.C might be due to reasonable rates offered to them that attract more customers. The company growth rate is caused by lack of marketing and promotional strategies.

## **5.6 Limitations of the Study**

The study has the following limitations, which were making difficult to obtain missing relevant information. These limitations were due to:

(a) Data accessibility;

Some of the data from the study were confidential, thus, the researcher experienced inaccessibility of some data.

(b) Reluctant respondent;

Some of the respondents did not give response against the questionnaires given, hence, lead to difficult in getting enough data for reporting and conclusion.

(c) Time factor;

Time available to carry this study is so tight due to the office responsibilities.

## **5.7 Area for Future Research**

This study proposes the area for further studies to be, “Performance management in insurance industry in Tanzania”. This is because performance management is the key for success of organization. For instance, when the insurance company grows larger, the degree of complexity increase, bureaucracy in decision-making and controll become more appealing factors. Establishing a systematic and well-organized performance management system can enhance understanding and analyzing the key success factor.

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## APPENDICES

### Appendix I: Questionnaires

INTRODUCTION: -The objective of this study is to find out factors influencing performance of insurance industry in Tanzania, the case of study is Zanzibar Insurance Corporation. The success of this study greatly depends on your assistance. For this reason we request for your kind responses to the following questions. All information collected will be strictly confidential and exclusively be used for academic purposes only.

1. What is your lever of education?

Education	TICK
University education	
Secondary education/diploma	
Primary education	

2. What is your age?

S	TICK
Between 25 – 60	
Above 60	
Below 25	

3. Are you satisfied/not with the following mode of operating underwriting department?

Mode of operating	Satisfied	Not satisfied
Providing of renewal notice		
Risk management		
Collection of premium		
Risk acceptance		
Documentation		
Mode of cancellation of service		

4. What about rate of premium which are charged by ZIC?

Types of risk	Low rates	High rates	Normal rates
Motor			
Miscellaneous			
Fire			
Engineering			
Marine			
Aviation			



5. In which stage of processing claim the company is doing/not doing well?

Stage in processing claim	Doing well	Not doing well
Notification of the accident		
Proof of cover if it exist		
Register of claim		
Confirmation of premium if paid		
Assessor and investigator report		
Reviewing of assessor/Investigator report and decision making		
Issue discharge voucher		
Preparing a cheque & release a cheque to insured		

6. Which variables are impacting/not impacting underwriting performance?

Variables	Impacting	Not impacting
Time taken to provide service & to resolve complains		
Customers satisfactions of services		
Employees		
Brokers & Agency		

7. Which variables are impacting/not impacting performance of claim department?

Variables	Impacting	Not impacting
Assessor & Investigator		
Insured		
Underwriting		
Brokers & agency		
Management		

8. Which variables are impacting/not impacting performance of finance department?

DESCRIPTION	Impacting	Not impacting
Intermediaries and Insured		
TIRA regulation		
Liquidity		
Solvency		
Claim incurred		

9. Do you agree/disagree with these strategies for enhancing business growth?

Strategies	Agreed	Disagreed
Introduction of monthly Renewable policies		
Increase of distribution channel		
Strategies in new products		
Promotion		

10. Do you agree/disagree with these strategies for enhancing underwriting performance?

Strategies	Agreed	Disagreed
Improve of workflow management		
Improve intermediary relationships		
Risk management		

11. How technological help to facilitate operation and the process of providing insurance service to insured?

.....  
 .....

12. Do brokers and agencies affect the operation of ZIC? [Yes] or [No]

13. From question number 12 above if the answer is yes, explain how brokers & agencies affect the operation of ZIC?

.....  
 .....

14. What challenges are facing Zanzibar Insurance Corporation in providing insurance services?

.....  
 .....

15. For your experience in insurance industry insured and non-insured are aware with products which are provided by Zanzibar Insurance Corporation. [Yes] or [No

16. What is your suggestion about improving the performance of Zanzibar Insurance Corporation?

.....

.....

.....

THANK YOU

## **Appendix II: Questionnaire for Staff (Zanzibar Insurance Corporation)**

### **INTRODUCTION**

The objective of this study is to find out factors influencing performance of insurance industry in Tanzania, the case of study is Zanzibar Insurance Corporation. The success of this study greatly depends on your assistance .For this reason we request for your kind responses to the following questions. All information collected will be strictly confidential and exclusively be used for academic purposes only.

1. Do intermediaries & insured satisfied with service offered by claims & underwriting departments? [Yes] or [No]

2. If the answer from question number one above is no explain how

.....  
 .....  
 .....

3. How employees' performance and motivation affects the performance of the company?

.....  
 .....  
 .....

4. How technological help to facilitate operation and the process of providing insurance service to insured?

.....  
 .....  
 .....

5. In Zanzibar Insurance Corporation many business (premium) it comes from.

(i) Brokers & agencies [ ]

(ii) Direct client. [ ]

6. In strategic marketing does Zanzibar Insurance Corporation play role of providing training to intermediaries, insured and non-insured for the aim of increasing of client to be aware with products, which are provided by insurance industry in Tanzania? [Yes] or [No]

7. From question number 6 above if the answer is 'yes' explain types of training/marketing strategic, which are provided, and if the answer is 'No' explain why?

.....  
 .....  
 .....

8. Do brokers and agencies affect the operation of insurance companies in Tanzania? [Yes] or [No]

9. From question number 8 above if the answer is yes, explain how brokers & agencies affect the operation of insurance sector in Tanzania?

.....  
 .....  
 .....

10. According to TIRA regulation brokers are required to remit cash collected from insured within 30 days. Does this regulation affect the operation and financial performance of ZIC? [Yes] or [No]

11. If the answer is yes from question number 10 above explain how?

.....  
 .....  
 .....

12. What factors are affecting Zanzibar Insurance Corporation in settling claim on time?

(i) .....  
 (ii).....  
 (iii) .....

13. How many claims have been settled by the court from 2008 to date? [     ]

14. What factors are affecting management, business, marketing, financial and employees performance?

(i) Management performance.....  
 (ii) Marketing performance.....  
 (iii) Business performance.....  
 (iv) Financial performance .....  
 (v) Employee's performance.....

15. From question number 14 above explain how the above performance indicators are affected.....

.....

.....

16. Do organization service meet the need of your customer? Yes [ ] or No [ ]

17. If the answer for number 16 above is 'No', explain how

.....

.....

.....

18. What challenges are facing Zanzibar Insurance Corporation in providing insurance services?

.....

.....

.....

19. What is your suggestion about improving the performance of insurance industry in Tanzania

.....

.....

.....

THANK YOU



### **Appendix III: Questionnaire for Intermediaries & Insured**

#### **INTRODUCTION**

The objective of this study is to find out factors influencing performance of insurance industry in Tanzania, the case of study is Zanzibar Insurance Corporation. The success of this study greatly depends on your assistance .For this reason we request for your kind responses to the following questions. All information collected will be strictly confidential and exclusively be used for academic purposes only.

1. How many insurance products do you know and mention it.

.....

.....

.....

2. What is your suggestion about rate of premium against your risk insured?

.....

.....

.....

3. What mode of communication you use to communicate with ZIC in insurance services?

.....

.....

.....

4. Do mode of communication mentioned above facilitates insurance operation? [ ]
  
5. From number 4 above if the answer is yes/no explain how and give suggestion.  
.....  
.....  
.....
  
6. How long it takes for Zanzibar Insurance Corporation to provide insurance service in the following area? Also comment if you are not satisfied.
  - (i) Underwriting.....
  - (ii) Claim.....
  - (iii) Finance.....
  - (iv) Marketing.....
  
7. If you have got complains from insured how long it takes for Zanzibar Insurance Corporation to resolve this complain? .....  
.....  
.....  
.....
  
8. For your experience in insurance industry insured and non-insured are aware with products which are provided by Zanzibar Insurance Corporation. [Yes] or [No]

9. Are you satisfied with services, which are offered by Zanzibar Insurance Corporation in Claim, underwriting, employees, marketing, finance and top management? [Yes] or [No].

10. If the answer from question number 9 above is No or yes explain how

- (i) Claim department.....
- (ii) Underwriting department.....
- (iii) Marketing department.....
- (iv) Employees.....
- (v) Top management.....
- (vi) Finance department.....

11. How many claims have been settled by order of the court from 2008 to date?

[     ]

What challenges are facing Zanzibar Insurance Corporation Ltd in providing insurance services?

.....

.....

12. What is your suggestion about improving the performance of insurance industry Tanzania?

.....

.....

THANK YOU

#### **Appendix IV: Interview**

INTRODUCTION: -The objective of this study is to find out factors influencing performance of insurance industry in Tanzania, the case of study is Zanzibar Insurance Corporation. The success of this study greatly depends on your assistance. For this reason we request for your kind responses to the following questions. All information collected will be strictly confidential and exclusively be used for academic purposes only.

1. What is your name, and where are you working.....  
.....
2. How many insurance policies do you have with ZIC? .....
3. Since when did you started to insure with Zanzibar Insurance Corporation?  
.....
4. Do you have any cover with any insurance company in Tanzania? .....  
If NOT, are you satisfied with the services rendered by Zanzibar Insurance Corporation? .....
5. Have you ever claimed anything from Zanzibar Insurance Corporation due to the policies you possess in the last three years? ..... If YES, How much was the Total claim....., and How long it took for you to be paid the claim? .....

6. How many insurance products do you know and mention it.....  
 .....  
 .....  
 .....
7. What is your suggestion about rate of premium against your risk insured?  
 .....  
 .....  
 .....
8. What mode of communication you use to communicate with ZIC in insurance services?  
 .....  
 .....
9. Do mode of communication mentioned above facilitates insurance operation? [ ]
10. How long it takes for Zanzibar Insurance Corporation to provide insurance service in the following area? Also comment if you are not satisfied.
- (i) Underwriting.....
- (ii) Claim.....
- (iii) Finance.....
- (iv) Marketing.....

11. If you have got complains from insured how long it takes for Zanzibar Insurance Corporation to resolve this problem.

.....  
 .....

12. Are you satisfied with services, which are offered by Zanzibar Insurance Corporation in Claim, underwriting, employees, marketing, finance and top management? [Yes] or [No].....

.....

13. If the answer from question number 12 above is No or yes explain how

(i) Claim department.....

(ii)Underwriting department.....

(iii)Marketing department.....

(iv)Employees.....

(v)Top management.....

(vi)Finance department.....

14. What is your suggestion about improving the performance of insurance industry Tanzania?

.....  
 .....

THANK YOU